

**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 28, 2020**

**NEW ISSUE—FULL BOOK-ENTRY**

**RATINGS: Moody's: "Aa2"; Standard & Poor's: "AA"**  
**See "MISCELLANEOUS – Ratings" herein**

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.*

**\$62,855,000\***  
**DESERT SANDS UNIFIED SCHOOL DISTRICT**  
**(Riverside County, California)**  
**2020 General Obligation Refunding Bonds**  
**(Federally Taxable)**

**Dated: Date of Delivery**

**Due: August 1, as shown on the inside cover**

*This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used but not otherwise defined on this cover page shall have the meanings assigned to such terms herein.*

The Desert Sands Unified School District (Riverside County, California) 2020 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds") are being issued by the Desert Sands Unified School District (the "District") to (i) advance refund certain of the District's outstanding Prior Bonds (as defined herein), and (ii) pay the costs of issuance of the Bonds.

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

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of their date of initial delivery (the "Date of Delivery") and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2020. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, the designated Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

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

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**Maturity Schedule**  
**(see inside cover page)**

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*The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about May 19, 2020.\**



Capital  
Markets

Dated: May \_\_, 2020

\* Preliminary, subject to change.

## MATURITY SCHEDULE\*

\$ \_\_\_\_\_  
**DESERT SANDS UNIFIED SCHOOL DISTRICT**  
**(Riverside County, California)**  
**2020 General Obligation Refunding Bonds**  
**(Federally Taxable)**

Base CUSIP<sup>†</sup>:

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

\$ \_\_\_\_\_ – \_\_\_\_% Term Bonds due August 1, 20\_\_ – Yield \_\_\_\_; CUSIP Suffix<sup>†</sup>:

<sup>†</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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

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

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

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

**DESERT SANDS UNIFIED SCHOOL DISTRICT**

**BOARD OF EDUCATION**

Linda Porras, *President, Trustee Area 4*  
Donald B. Griffith, *Vice President/Clerk, Trustee Area 2*  
Ana M. Conover, *Member, Trustee Area 5*  
Wendy Jonathan, *Member, Trustee Area 1*  
Gary Tomak, *Member, Trustee Area 3*

**DISTRICT ADMINISTRATION**

Scott L. Bailey, *Superintendent*  
Jordan Aquino, *Assistant Superintendent, Business Services*  
Dr. Donna Salazar, *Assistant Superintendent, Personnel*  
Dr. Kelly May-Vollmar, *Assistant Superintendent, Educational Services*  
Laura Fisher, *Assistant Superintendent, Student Support Services*  
Patrick Cisneros, *Director of Facilities Services*

**PROFESSIONAL SERVICES**

**BOND COUNSEL AND DISCLOSURE COUNSEL**

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

**MUNICIPAL ADVISOR**

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

**PAYING AGENT AND ESCROW AGENT**

U.S. Bank National Association,  
*Los Angeles, California*

**VERIFICATION AGENT**

Causey Demgen & Moore, PC,  
*Denver, Colorado*

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**\$62,855,000\***  
**DESERT SANDS UNIFIED SCHOOL DISTRICT**  
**(Riverside County, California)**  
**2020 General Obligation Refunding Bonds**  
**(Federally Taxable)**

**INTRODUCTION**

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Desert Sands Unified School District (Riverside County, California) 2020 General Obligation Refunding Bonds (Federally Taxable) (the “Bonds”).

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

**General**

The Desert Sands Unified School District (the “District”), located in Riverside County (the “County”), provides elementary and secondary levels of education under a single Board of Education and centralized administration. Established in 1966, the District currently operates 18 elementary schools, one charter elementary school, six middle schools, one charter middle school, four comprehensive high schools, two continuation high schools, and one Alternative Education School. The District encompasses approximately 752 square miles of the southern part of the County, serving the cities of Indio, Coachella, La Quinta, Indian Wells, Palm Desert, Rancho Mirage and the community of Bermuda Dunes. For fiscal year 2019-20, taxable property within the District has an assessed valuation of \$41,839,202,021 and the District’s average daily attendance (“ADA”) is projected to be 24,401 students. The District’s actual student attendance, as well as the assessed valuation of property within the District, may be affected by the outbreak of COVID-19. The District’s schools are closed for the remainder of the school year, and the District has transitioned to distance learning. See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein.

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

For more information regarding the District generally, see “DISTRICT FINANCIAL INFORMATION” and “DESERT SANDS UNIFIED SCHOOL DISTRICT,” and for more information regarding the District’s assessed valuation, see “TAX BASE FOR PAYMENT OF BONDS” herein. The District’s audited financial statements for fiscal year ended June 30, 2019 are attached hereto as APPENDIX B and should be read in their entirety.

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\* Preliminary, subject to change.

## **Purpose of the Bonds**

The Bonds are being issued to (i) advance refund certain of the District's outstanding Prior Bonds (as defined herein), and (ii) pay the costs of issuing the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

## **Authority for Issuance of the Bonds**

The Bonds are issued pursuant to certain provisions of the Government Code and pursuant to a resolution adopted by the Board on March 17, 2020 (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

## **Sources of Payment for the Bonds**

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

## **Description of the Bonds**

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

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

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

**Redemption.** The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as further described herein. See "THE BONDS – Redemption" herein.

**Payments.** The Bonds will be dated as of the date of their initial delivery (the "Date of Delivery"). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing August 1, 2020. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof. Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, the designated paying agent, registrar and transfer agent (the "Paying Agent") to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.



## **Tax Matters**

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax. See “TAX MATTERS” herein.

## **Offering and Delivery of the Bonds**

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about May 19, 2020.\*

## **Bond Owner’s Risks**

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

## **Continuing Disclosure**

Pursuant to that certain Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in order to assist RBC Capital Markets, LLC (the “Underwriter”) in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). See “LEGAL MATTERS – Continuing Disclosure” herein. The specific nature of the information to be made available and the notices of listed events required to be provided are described in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS” attached hereto.

## **Professionals Involved in the Offering**

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Fieldman, Rolapp & Associates, Inc., Irvine, California is acting as Municipal Advisor to the District with respect to the Bonds. Bond Counsel/Disclosure Counsel and the Municipal Advisor will each receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. In addition to acting as Paying Agent, U.S. Bank National Association will act as Escrow Agent (defined herein) for the Prior Bonds. Causey Demgen & Moore, PC, Denver, Colorado, will act as Verification Agent for the Prior Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the District or the Bonds.

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\* Preliminary, subject to change.

## **Forward-Looking Statements**

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

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

## **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Desert Sands Unified School District, 47-950 Dune Palms Road, La Quinta, California 92253, telephone: (760) 777-4200. The District may impose a charge for copying, mailing and handling.

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such documents, statutes and constitutional provisions.

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

## **THE BONDS**

### **Authority for Issuance**

The Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State Government Code, and pursuant to the Resolution.

### **Security and Sources of Payment**

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

Such *ad valorem* property taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest thereon when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. While the County has historically levied *ad valorem* property taxes to establish such a reserve for other bonds of the District, the County is not obligated to establish or maintain such a reserve, and the District can make no representations that the County will do so in future years. Such taxes, when collected, will be placed by the County in the Debt Service Fund (defined herein) established by the Resolution, which is required to be segregated and maintained by the County and which is designated for the payment of the Bonds and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, the Bonds are not a debt of the County.

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

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

## **Statutory Lien**

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

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 1, 2016 and payable, both as to principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of such *ad valorem* property taxes are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

## **General Provisions**

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Purchasers will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of the Date of Delivery.

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

The principal of the Bonds will be payable in lawful money of the United States of America to the registered Owner thereof, upon the surrender thereof at the designated office of the Paying Agent. The interest on the Bonds will be payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered Owner thereof as of the close of business on the 15th day of the month preceding any Bond Payment Date (a "Record Date"), whether or not such day is a business day. Such interest is to be paid by wire transfer on such Bond Payment Date to such registered Owner to the bank and account number on file with the Paying Agent as of the Record Date. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds.

## **Annual Debt Service**

The following table shows the annual debt service requirements of the District for the Bonds (assuming no optional redemptions):

<b>Year Ending <u>August 1</u></b>	<b>Annual Principal <u>Payment</u></b>	<b>Annual Interest <u>Payment</u><sup>(1)</sup></b>	<b>Total Annual <u>Debt Service</u></b>
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<sup>(1)</sup> Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2020.

See also “DESERT SANDS UNIFIED SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds” herein for a breakdown by issuance of the District’s general obligation bonded debt.

## **Application and Investment of Bond Proceeds**

The Bonds are being issued to (i) advance refund certain of the District’s prior outstanding general obligation bonds, as further described below (the “Prior Bonds”), and (ii) pay the costs of issuing the Bonds.

The net proceeds from the sale of the Bonds will be deposited with U.S. Bank National Association, as Escrow Agent, to the credit of an escrow fund (the “Escrow Fund”) held pursuant to that certain Escrow Agreement, dated as of May 1, 2020, by and between the District and the Escrow Agent. Amounts deposited in the Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America (collectively, the “Federal Securities”), the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow

Fund and held as cash, to enable the Escrow Agent to pay the redemption prices of the Prior Bonds on the respective first optional redemption dates therefor, as further described below, as well as the interest due on the Refunded Bonds on and prior to such dates.

The tables below show information on the specific maturities of the Prior Bonds.

**PRIOR BONDS\***  
**Desert Sands Unified School District**  
**Election of 2001 General Obligation Bonds, Series 2012**

<b><u>Maturity Date</u></b> <b><u>(August 1)</u></b>	<b><u>CUSIP</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Principal to</u></b> <b><u>be Refunded</u></b>	<b><u>Redemption</u></b> <b><u>Date</u></b>	<b><u>Redemption Price</u></b> <b><u>(% of Principal Amount)</u></b>
2024	250433PG8	\$4,780,000	\$4,780,000	8/1/2022	100
2025	250433PH6	4,970,000	4,970,000	8/1/2022	100
2026	250433PJ2	5,170,000	5,170,000	8/1/2022	100
2027	250433PK9	5,375,000	5,375,000	8/1/2022	100
2028	250433PL7	5,540,000	5,540,000	8/1/2022	100
2031	250433PM5	17,975,000	17,975,000	8/1/2022	100

**PRIOR BONDS\***  
**Desert Sands Unified School District**  
**2013 General Obligation Refunding Bonds, Series A**

<b><u>Maturity Date</u></b> <b><u>(June 1)</u></b>	<b><u>CUSIP</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Principal to</u></b> <b><u>be Refunded</u></b>	<b><u>Redemption</u></b> <b><u>Date</u></b>	<b><u>Redemption Price</u></b> <b><u>(% of Principal Amount)</u></b>
2024	250433PT0	\$5,395,000	\$5,395,000	6/1/2023	100
2025	250433PU7	3,645,000	3,645,000	6/1/2023	100
2026	250433PV5	4,020,000	4,020,000	6/1/2023	100
2027	250433PW3	4,420,000	4,420,000	6/1/2023	100
2028	250433PX1	4,850,000	4,850,000	6/1/2023	100
2029	250433PY9	5,310,000	5,310,000	6/1/2023	100
2030	250433PZ6	5,800,000	5,800,000	6/1/2023	100
2031	250433QA0	6,325,000	6,325,000	6/1/2023	100

**PRIOR BONDS\***  
**Desert Sands Unified School District**  
**Election of 2014 General Obligation Bonds, Series 2015**

<b><u>Maturity Date</u></b> <b><u>(August 1)</u></b>	<b><u>CUSIP</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Principal to</u></b> <b><u>be Refunded</u></b>	<b><u>Redemption</u></b> <b><u>Date</u></b>	<b><u>Redemption Price</u></b> <b><u>(% of Principal Amount)</u></b>
2029	250433RR2	\$1,865,000	\$1,865,000	8/1/2025	100
2030	250433RS0	1,960,000	1,960,000	8/1/2025	100
2031	250433RT8	2,060,000	2,060,000	8/1/2025	100
2032	250433RU5	2,160,000	2,160,000	8/1/2025	100
2033	250433RV3	2,270,000	2,270,000	8/1/2025	100
2034	250433RW1	2,380,000	2,380,000	8/1/2025	100
2035	250433RX9	2,500,000	2,500,000	8/1/2025	100
2036	250433RM2	2,625,000	2,625,000	8/1/2025	100
2037	250433RN0	2,755,000	2,755,000	8/1/2025	100
2038	250433RP5	2,895,000	2,895,000	8/1/2025	100
2042	250433RY7	13,100,000	13,100,000	8/1/2025	100
2044	250433RZ4	7,540,000	7,540,000	8/1/2025	100

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\* Preliminary, subject to change.

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

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

Funds on deposit in the Escrow Fund will be invested as described above. Moneys in the Debt Service Fund will be invested through the County’s pooled investment fund. See “APPENDIX E - RIVERSIDE COUNTY INVESTMENT POOL” attached hereto.

## Redemption

***Optional Redemption.\**** The Bonds maturing on or before August 1, 20\_\_ are not subject to redemption prior to their stated maturity dates. The Bonds maturing on and after August 1, 20\_\_ may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 20\_\_ or on any date thereafter, at a redemption price equal to the principal amount of such Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

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

<b><u>Redemption Date</u></b> <b><u>(August 1)</u></b>	<b><u>Principal Amount</u></b>
Total	
_____	
(1) Maturity.	

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

***Selection of Bonds for Redemption.*** Whenever provision is made for the optional redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity.

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\* Preliminary, subject to change.

Within a maturity, the Paying Agent, shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part shall be in a principal amount of \$5,000, or any integral multiple thereof.

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

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

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

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

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

***Payment of Redeemed Bonds.*** When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in “—Defeasance,” the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such



funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

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

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

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

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

## **Book-Entry Only System**

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC or the Direct 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) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC or the Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with the Direct Participants or Indirect Participants are on file with DTC.*

The DTC, New York, NY, 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 is rated "AA+" by Standard & Poor's. 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](http://www.dtcc.com).

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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**

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

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

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

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

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

## Defeasance

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

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

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

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

## **ESTIMATED SOURCES AND USES OF FUNDS**

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

### Sources of Funds

Principal Amount of the Bonds

Total Sources

### Uses of Funds

Deposit to Escrow Fund

Costs of Issuance<sup>(1)</sup>

Total Uses

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<sup>(1)</sup> Reflects all costs of issuance, including the underwriting discount, legal and municipal advisory fees, printing costs, rating agency fees, and the costs and fees of the Paying Agent, Escrow Agent and Verification Agent.

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## **TAX BASE FOR PAYMENT OF BONDS**

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

### **Ad Valorem Property Taxation**

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

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

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the Treasurer. After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of \$10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecure tax roll after July 31, if unpaid are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also "— Secured Tax Charges and Delinquencies" herein.

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

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

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

### Assessed Valuations

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

**ASSESSED VALUATIONS**  
**Fiscal Years 2010-11 through 2019-20**  
**Desert Sands Unified School District**

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2010-11	\$32,640,030,469	\$2,094,892	\$768,219,487	\$33,410,344,848	--
2011-12	31,390,889,522	2,094,892	703,294,335	32,096,278,749	(3.93)%
2012-13	31,205,081,734	1,953,521	669,656,716	31,876,691,971	(0.68)
2013-14	32,265,711,046	1,953,521	708,719,098	32,976,383,665	3.45
2014-15	34,080,738,595	1,953,521	628,566,725	34,711,258,841	5.26
2015-16	35,756,804,222	1,953,521	632,385,882	36,391,143,625	4.84
2016-17	36,902,759,084	1,953,521	643,600,589	37,548,313,194	3.18
2017-18	37,968,805,070	1,953,521	656,473,798	38,627,232,389	2.87
2018-19	39,631,110,983	3,151,328	665,594,820	40,299,857,131	4.33
2019-20	41,139,285,972	3,151,328	696,764,721	41,839,202,021	3.82

*Source: California Municipal Statistics, Inc.; Percent change figures provided by the Municipal Advisor.*

Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, outbreak of disease, wildfire or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See also “THE BONDS – Security and Sources of Payment” and “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein.

***Appeals and Adjustments of Assessed Valuations.*** Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (“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 reappraisals and may be adjusted back to their original values when



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

No assurance can be given that property tax appeals or actions by the County Assessor in the future will not significantly reduce the assessed valuation of property within the District.

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

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

**ASSESSED VALUATION OF SINGLE FAMILY HOMES**  
**Fiscal Year 2019-20**  
**Desert Sands Unified School District**

	<b>No. of Parcels</b>	<b>2019-20 Assessed Valuation</b>	<b>Average Assessed Valuation</b>	<b>Median Assessed Valuation</b>
Single Family Residential	53,974	\$24,287,081,832	\$449,977	\$313,040

<b>2019-20 Assessed Valuation</b>	<b>No. of Parcels<sup>(1)</sup></b>	<b>% of Total</b>	<b>Cumulative % of Total</b>	<b>Total Valuation</b>	<b>% of Total</b>	<b>Cumulative % of Total</b>
\$0 - \$49,999	591	1.095%	1.095%	\$22,781,278	0.094%	0.094%
50,000 - 99,999	2,017	3.737	4.832	159,191,492	0.655	0.749
100,000 - 149,999	4,283	7.935	12.767	540,167,292	2.224	2.973
150,000 - 199,999	5,075	9.403	22.170	891,926,208	3.672	6.646
200,000 - 249,999	6,241	11.563	33.733	1,413,393,101	5.820	12.465
250,000 - 299,999	6,983	12.938	46.671	1,916,186,419	7.890	20.355
300,000 - 349,999	6,224	11.531	58.202	2,016,255,111	8.302	28.657
350,000 - 399,999	5,199	9.632	67.835	1,939,667,471	7.986	36.643
400,000 - 449,999	3,413	6.323	74.158	1,442,125,917	5.938	42.581
450,000 - 499,999	2,465	4.567	78.725	1,168,621,769	4.812	47.393
500,000 - 549,999	1,660	3.076	81.800	868,020,886	3.574	50.967
550,000 - 599,999	1,363	2.525	84.326	783,430,038	3.226	54.192
600,000 - 649,999	1,028	1.905	86.230	641,675,868	2.642	56.835
650,000 - 699,999	929	1.721	87.952	626,321,871	2.579	59.413
700,000 - 749,999	790	1.464	89.415	572,188,887	2.356	61.769
750,000 - 799,999	695	1.288	90.703	536,755,420	2.210	63.979
800,000 - 849,999	532	0.986	91.689	438,855,591	1.807	65.786
850,000 - 899,999	403	0.747	92.435	351,184,751	1.446	67.232
900,000 - 949,999	262	0.485	92.921	241,834,484	0.996	68.228
950,000 - 999,999	215	0.398	93.319	209,543,572	0.863	69.091
1,000,000 and greater	3,606	6.681	100.000	7,506,954,406	30.909	100.000
Total	53,974	100.000%		\$24,287,081,832	100.000%	

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

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

#### ASSESSED VALUATION AND PARCELS BY LAND USE

Fiscal Year 2019-20

Desert Sands Unified School District

	2019-20 <u>Assessed Valuation</u> <sup>(1)</sup>	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
<b><u>Non-Residential:</u></b>				
Agricultural/Rural	\$85,951,721	0.21%	105	0.07%
Commercial/Industrial/Recreation	6,362,032,807	15.44	4,642	3.08
Vacant Commercial	378,530,125	0.92	1,193	0.79
Government/Social/Institutional	55,102,369	0.13	360	0.24
Miscellaneous Vacant/Desert	242,145,986	0.59	9,994	6.64
Miscellaneous	<u>15,129,654</u>	<u>0.04</u>	<u>150</u>	<u>0.10</u>
Subtotal Non-Residential	\$7,138,892,662	17.33%	16,444	10.92%
<b><u>Residential:</u></b>				
Single Family Residence	\$24,287,081,832	58.96%	53,974	35.85%
Condominium/Townhouse	6,766,192,456	16.43	22,359	14.85
Mobile Home	578,864,249	1.41	6,086	4.04
Mobile Home Park	65,896,301	0.16	285	0.19
2+ Residential Units/Apartments	919,327,604	2.23	1,039	0.69
Timeshare Interests	423,312,409	1.03	44,283	29.41
Miscellaneous Residential	16,390,660	0.04	81	0.05
Vacant Residential	<u>998,430,168</u>	<u>2.42</u>	<u>6,019</u>	<u>4.00</u>
Subtotal Residential	\$34,055,495,679	82.67%	134,126	89.08%
Total	\$41,194,388,341	100.00%	150,570	100.00%

<sup>(1)</sup> Local secured assessed valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

**Assessed Valuation by Jurisdiction.** The following table shows the District's assessed valuation by jurisdiction for fiscal year 2019-20.

#### ASSESSED VALUATION AND PARCELS BY JURISDICTION

Fiscal Year 2019-20

Desert Sands Unified School District

<b><u>Jurisdiction:</u></b>	<b><u>Assessed Valuation in District</u></b>	<b><u>% of District</u></b>	<b><u>Assessed Valuation of Jurisdiction</u></b>	<b><u>% of Jurisdiction in District</u></b>
City of Coachella	\$139,877,710	0.33%	\$1,985,674,035	7.04%
City of Indian Wells	6,148,154,986	14.69	6,148,154,986	100.00
City of Indio	7,563,654,310	18.08	8,824,327,721	85.71
City of La Quinta	8,404,935,668	20.09	14,028,258,265	59.91
City of Palm Desert	14,274,627,706	34.12	15,637,597,908	91.28
City of Rancho Mirage	1,741,270,292	4.16	8,974,269,002	19.40
Unincorporated Riverside County	<u>3,566,681,349</u>	<u>8.52</u>	45,632,869,416	7.82
Total District	\$41,839,202,021	100.00%		
Riverside County	\$41,839,202,021	100.00%	\$295,937,605,964	14.14%

Source: California Municipal Statistics, Inc.

## Secured Tax Charges and Delinquencies

The following tables show secured tax charges and delinquency information for the District for fiscal years 2013-14 through 2018-19.

### SECURED TAX CHARGES AND DELINQUENCIES Fiscal Years 2013-14 through 2018-19 Desert Sands Unified School District

	<b>Secured Tax Charge<sup>(1)</sup></b>	<b>Amount Delinquent June 30</b>	<b>% Delinquent June 30</b>
2013-14	\$34,973,332.22	\$462,400.63	1.32%
2014-15	37,071,122.11	417,889.16	1.13
2015-16	38,716,331.09	483,806.05	1.25
2016-17	31,492,841.87	343,869.13	1.09
2017-18	27,363,762.61	269,277.51	0.98
2018-19	29,371,729.00	460,789.98	1.57

<sup>(1)</sup> General obligation bond debt service levy.

Source: California Municipal Statistics, Inc.

## Alternative Method of Tax Apportionment - "Teeter Plan"

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code, each participating local agency levying property taxes, including community college districts, receives from the county or counties in which it is located the amount of uncollected secured property taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the applicable county or counties receive(s) and retain(s) delinquent payments, penalties and interest as collected that would have been due to the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the applicable county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the applicable county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%. The Teeter Plan applies to the 1% general purpose secured property tax levy. Whether or not the Teeter Plan is also applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county.

The Board of Supervisors of the County has approved the implementation of the Teeter Plan. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. The secured *ad valorem* property tax to be levied by the County to pay the principal of and interest on the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy. The District will receive 100% of the secured *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County. 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 in the County would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other pandemic or natural or manmade disaster. See "DISTRICT FINANCIAL INFORMATION –Considerations Regarding COVID-19." However, notwithstanding any possible future change to or discontinuation of the Teeter Plan, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Bonds when due.

## Tax Rates

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

**TYPICAL TAX RATES (TRA 75-004)<sup>(1)</sup>**  
**Fiscal Years 2015-16 through 2019-20**  
**Desert Sands Unified School District**

	<b>Fiscal Year <u>2015-16</u></b>	<b>Fiscal Year <u>2016-17</u></b>	<b>Fiscal Year <u>2017-18</u></b>	<b>Fiscal Year <u>2018-19</u></b>	<b>Fiscal Year <u>2019-20</u></b>
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Desert Sands Unified School District	.10915	.08599	.07251	.07418	.07381
Desert Community College District	.02087	.02036	.04030	.03978	.03983
Coachella Valley Water District	<u>.10000</u>	<u>.10000</u>	<u>.10000</u>	<u>.10000</u>	<u>.10000</u>
Total	1.23002%	1.20635%	1.21281%	1.21396%	1.21364%

<sup>(1)</sup> Fiscal year 2019-20 assessed valuation of TRA 75-004 is \$1,421,878,047, representing 3.40% of the District's total fiscal year 2019-20 assessed valuation.

Source: California Municipal Statistics, Inc.

## Principal Taxpayers

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

**LARGEST LOCAL SECURED TAXPAYERS**  
**Fiscal Year 2019-20**  
**Desert Sands Unified School District**

	<b><u>Property Owner</u></b>	<b><u>2019-20 Primary Land Use</u></b>	<b><u>% of Assessed Valuation</u></b>	<b><u>Total<sup>(1)</sup></u></b>
1.	Garden of Champions	Recreational	\$249,530,344	0.61%
2.	WEA Palm Desert LP	Shopping Center	158,558,998	0.39
3.	Newage Desert Springs	Hotel	158,015,952	0.38
4.	LQR Prop	Hotel	141,077,739	0.34
5.	Gardens on El Paseo	Hotel	138,872,196	0.34
6.	WVC Rancho Mirage Inc.	Timeshare/Resort	127,901,032	0.31
7.	H E Indian Wells	Hotel	111,241,737	0.27
8.	Pru Desert Crossing	Commercial	102,201,791	0.25
9.	Bighorn Golf Club	Country Club	84,862,649	0.21
10.	KSL RLP Holdings	Hotel	80,517,579	0.20
11.	BBC Esmeralda	Hotel	73,615,140	0.18
12.	CC Cimarron LP	Apartments	67,912,110	0.17
13.	Worldmark the Club	Hotel	65,621,546	0.16
14.	Wal Mart Real Estate Business Trust	Commercial	62,726,811	0.15
15.	Harsch Investment Realty	Commercial	55,790,450	0.14
16.	Segovia Operations	Assisted Living	52,601,505	0.13
17.	Inland American La Quinta Pavilion	Shopping Center	49,263,649	0.12
18.	Walgreen Co.	Commercial	48,663,183	0.12
19.	Fountains Carlotta Owner NT HCI	Assisted Living	46,974,262	0.11
20.	Indio Towne Center	Shopping Center	46,010,000	0.11
			<u>\$1,921,958,673</u>	<u>4.67%</u>

<sup>(1)</sup> The fiscal year 2019-20 local secured assessed valuation of the District is \$41,139,285,972.  
Source: California Municipal Statistics, Inc.

**Statement of Direct and Overlapping Debt**

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. effective as of February 21, 2020 for debt outstanding 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.

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

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

in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

**STATEMENT OF DIRECT AND OVERLAPPING DEBT  
Desert Sands Unified School District**

**2019-20 Assessed Valuation:** \$41,839,202,021

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable</u></b>	<b><u>Debt 3/1/20</u></b>
Desert Community College District	49.351%	\$198,242,967
<b>Desert Sands Unified School District</b>	<b>100.000</b>	<b>370,775,000<sup>(1)</sup></b>
Desert Sands Unified School District Community Facilities District No. 1	100.000	815,000
City of Indio Community Facilities Districts	100.000	33,855,000
1915 Act Bonds (Estimated)	Various	<u>32,879,469</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$636,567,436
 <b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>		
Riverside County General Fund Obligations	14.138%	\$108,502,588
Riverside County Pension Obligation Bonds	14.138	30,938,185
<b>Desert Sands Unified School District Certificates of Participation</b>	<b>100.000</b>	<b>30,155,000</b>
City of Coachella General Fund Obligations	7.044	793,859
City of Indio Certificates of Participation and Judgment Obligations	85.714	43,234,141
Coachella Valley Recreation and Park District Certificates of Participation	77.389	<u>122,898</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$213,746,671
Less: Riverside County supported obligations		<u>125,047</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$213,621,624
 <b><u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u></b>		
Coachella Valley Redevelopment Agency Project Areas	8.611%	\$2,738,298
Indian Wells Redevelopment Agency Consolidated Whitewater Project Area	100.000	73,030,000
Indio Redevelopment Agency Project Areas	100.000	51,935,000
La Quinta Redevelopment Agency Project Areas	85.885	151,930,565
Palm Desert Redevelopment Agency Project Areas	58.632 - 93.283	194,361,050
Rancho Mirage Redevelopment Agency Project Areas	16.702 - 19.916	14,470,467
Riverside County Redevelopment Agency Project Area No. 4	0.577 - 2.700	<u>4,051,868</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$492,517,248
 GROSS COMBINED TOTAL DEBT		\$1,342,831,355 <sup>(2)</sup>
NET COMBINED TOTAL DEBT		\$1,342,706,308

**Ratios to 2019-20 Assessed Valuation:**

Direct Debt (\$370,775,000) .....	0.89%
Combined Direct Debt (\$400,930,000).....	0.96%
Total Direct and Overlapping Tax and Assessment Debt .....	1.52%
Gross Combined Total Debt .....	3.21%
Net Combined Total Debt.....	3.21%

**Ratios to Redevelopment Successor Agency Incremental Valuation (\$23,618,042,896):**

Total Overlapping Tax Increment Debt.....	2.09%
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<sup>(1)</sup> Excludes the Bonds described herein, but includes the Prior Bonds.

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

Source: California Municipal Statistics, Inc.

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

*The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem property tax levied by the County for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein. Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and of the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the principal of and interest on the Bonds.*

### Article XIII A of the California Constitution

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

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

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. In addition, Article XIII A requires the approval of two-thirds or more of all members of the State legislature to change any State taxes for the purpose of increasing tax revenues.

***Split Roll Property Tax Ballot Measure.*** On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the “2020 Ballot Measure”). If approved by a



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

### **Legislation Implementing Article XIII A**

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

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

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

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

### **Proposition 50 and Proposition 171**

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% 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 XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

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

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105% 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.

### **State-Assessed Utility Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions. Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. Such State-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION – State Funding of Education” herein.

## **Article XIII B of the California Constitution**

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

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

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

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

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

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

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “—Propositions 98 and 111” herein.

## **Article XIIIIC and Article XIIID of the California Constitution**

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

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

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

## **Proposition 26**

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

## Propositions 98 and 111

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changed State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of the State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State legislature to suspend this formula for a one-year period.

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the “change in the cost of living” is now measured by the change in State per capita personal income. The definition of “change in population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned

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

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

### ***Jarvis vs. Connell***

On May 29, 2002, the State 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). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the State 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 State 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.

### **Propositions 1A and Proposition 22**

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

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

### **Proposition 55**

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 4, 2014. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

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

## **Proposition 2**

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as “Proposition 2”). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State’s Budget Stabilization Account (the “BSA”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

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

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

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at



a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

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

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

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

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

## Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and Propositions 22, 26, 30, 98, and 55 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

## DISTRICT FINANCIAL INFORMATION

*The information in this section concerning the State funding of public education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds are payable from the general fund of the District. The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem property tax which is required to be levied by the County in the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

### State Funding of Education

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

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

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

The primary component of AB 97, as amended by SB 91, is the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF occurred over a period of eight fiscal years. In each year, an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. During the

implementation period of the LCFF, the Base Grants were adjusted for COLAs by applying the implicit price deflator for government goods and services. The provision of COLAs is currently subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also “—State Budget” herein for the adjusted Base Grants provided for in current State budget legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

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

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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. The District's actual ADA may be affected by the current outbreak of COVID-19. See "—Considerations Regarding COVID-19" herein.

**ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE**  
**Fiscal Years 2013-14 through 2019-20**  
**Desert Sands Unified School District**

<b>Fiscal Year</b>	<b>Average Daily Attendance<sup>(1)</sup></b>					<b>Enrollment</b>	
	<b>K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>	<b>Total ADA</b>	<b>Total Enrollment<sup>(2)</sup></b>	<b>% of EL/LI Enrollment<sup>(3)</sup></b>
2013-14	7,615	5,596	3,556	8,801	25,568	26,981	68.6%
2014-15	7,476	5,538	3,581	8,706	25,301	26,715	72.9
2015-16	7,413	5,572	3,436	8,777	25,198	26,468	72.2
2016-17	7,398	5,649	3,500	8,889	25,436	26,708	71.7
2017-18	7,269	5,527	3,466	8,789	25,050	26,468	71.5
2018-19	7,305	5,301	3,475	8,846	24,927	26,356	71.7
2019-20	7,070	5,121	3,512	8,698	24,401	25,756	72.5

Note: ADA numbers rounded to the nearest whole number.

<sup>(1)</sup> Reflects ADA as of the second principal reporting period ("P-2 ADA"), which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is each four week period of instruction beginning with the first day of school for any school district.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Since fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students has been based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years. Enrollment is net of charter school students.

Source: *Desert Sands Unified School District.*

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

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

Certain school districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State

apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a basic aid district.

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

School districts are also required to adopt local control and accountability plans (“LCAPs”) disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. Beginning in fiscal year 2014-15, LCAPs have been required to be adopted covering a period of three fiscal years, and updated annually. The State Board of Education has adopted a template LCAP for use by school districts.

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

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district’s strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district in identifying and implementing programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts with achieving the goals set forth in their LCAPs. On or before October 1, 2015, the State Board of Education is required to develop rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district’s LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or

rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

## Other Revenue Sources

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

**Federal and Local Sources.** The federal government provides funding for several school district programs, including specialized programs such as the Every Student Succeeds Act, special education programs, and programs under the Educational Consolidation and Improvement Act. In addition, portions of a school district's budget can come from local sources other than unrestricted property taxes, including but not limited to interest income, leases and rentals, foundations, donations and sales of property.

**Tax Increment Revenue.** The District previously entered into agreements with a number of redevelopment agencies formed pursuant the California Community Redevelopment Law (Health and Safety Code Sections 33000 *et seq.*) (collectively, the "Redevelopment Agencies"), pursuant to which the District has historically received "pass-through" tax increment revenues. The District expects to continue receiving tax increment revenues from the Successor Agency (as defined herein) to each Redevelopment Agency. Tax-increment revenues received by the District are the principal source of funds for the payment of lease payments evidencing principal and interest with respect to the District's outstanding certificates of participation and equipment lease financings. See "DESERT SANDS UNIFIED SCHOOL DISTRICT — District Debt Structure — Certificates of Participation" and "—Equipment Lease" herein. The table below summarizes tax increment revenues received by the District over the last five fiscal years, and a projection for fiscal year 2019-20.

### TAX INCREMENT REVENUES Fiscal Years 2014-15 through 2019-20 Desert Sands Unified School District

<u>Fiscal Year</u>	<u>Total Tax Increment Revenues Received</u>	<u>Tax Increment Revenues Allocated to Outstanding Debt<sup>(1)</sup></u>	<u>Unallocated Tax Increment Revenues</u>
2014-15	\$17,838,410	\$8,146,773	\$6,362,933
2015-16	19,114,376	8,682,081	10,432,295
2016-17	20,238,751	9,661,147	10,577,604
2017-18	20,773,116	10,753,081	10,020,034
2018-19	22,338,173	9,253,713	13,084,460
2019-20 <sup>(2)</sup>	21,000,000	8,559,631	12,440,369

<sup>(1)</sup> A portion of the tax increment revenues received in each year is allocated to the payment of debt service associated with the District's outstanding certificates of participation and equipment lease financings. See "DISTRICT FINANCIAL MATTERS – District Debt Structure – Certificates of Participation" and "—Equipment Lease" herein.

<sup>(2)</sup> Projected.

Source: *Desert Sands Unified School District*.

On December 30, 2011, the State Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("Matosantos"), finding ABX1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in the State ceased to exist as a

matter of law on February 1, 2012. The Court in *Matosantos* also found that ABX1 27, a companion bill to ABX1 26, violated the State Constitution, as amended by Proposition 22. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22” herein. ABX1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide.

ABX1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”), which, together with ABx1 26, is referred to herein as the “Dissolution Act.” The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller’s cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund (“Trust Fund”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed \$250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the State Controller and the State Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the State Controller. If the State Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities, including the District. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) (“AB 1290”), are restricted to educational facilities without offset against apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land

acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received had the redevelopment agency existed at that time,” and that the County Auditor-Controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABX1 26 using current assessed values and pursuant to statutory [pass-through] formulas and contractual agreements with other taxing agencies.”

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which any apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies or any other surplus property tax revenues pursuant to the Dissolution Act.

Developer Fees. The District maintains a fund, separate and apart from the General Fund, to account for developer fees levied on residential and commercial development pursuant to Education Code Section 17620. Residential development is assessed a fee of \$3.79 per square foot, while commercial development is assessed a fee of \$0.61 per square foot. Developer fee revenues may only be used to finance the construction or reconstruction of school facilities necessitated by development within the District. The following table summarizes the revenues received by the District from developer fees since 2009-10.

<b>DEVELOPER FEE COLLECTIONS</b>	
<b>Fiscal Years 2009-10 through 2019-20</b>	
<b>Desert Sands Unified School District</b>	
<u><b>Fiscal Year</b></u>	<u><b>Total Collections</b></u>
2009-10	\$830,808
2010-11	617,994
2011-12	1,165,046
2012-13	2,733,340
2013-14	3,659,665
2014-15	2,715,782
2015-16	1,858,222
2016-17	2,995,981
2017-18	3,265,703
2018-19	2,833,797
2019-20 <sup>(1)</sup>	1,975,000

<sup>(1)</sup> Projected.

Source: Desert Sands Unified School District.

### **Considerations Regarding COVID-19**

An outbreak of disease or similar public health threat, such as the novel coronavirus (“COVID-19”) outbreak, or fear of such an event, could have an adverse impact on the District’s financial condition and operating results.



The spread of COVID-19 is having significant negative impacts throughout the world, including in the District. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the State and the United States. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for a wider spread of the virus. On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed by the President of the United States. The CARES Act appropriates over \$2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments.

State law allows school districts to apply for a waiver to hold them harmless from the loss of LCFF funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, the Governor of the State has enacted Executive Order N-26-20 (“Executive Order N-26-20”), which (i) generally streamlines the process of applying for such waivers for closures related to COVID-19 and (ii) directs school districts to use LCFF apportionment to fund distance learning and high quality educational opportunities, provide school meals and, as practicable, arrange for the supervision of students during school hours.

On March 17, 2020, Senate Bill 89 (“SB 89”) and Senate Bill 117 (“SB 117”) were signed by the Governor, both of which take 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. SB 117, among other things, (i) specifies that for school districts that comply with Executive Order N-26-20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevents the loss of funding related to an instructional time penalty because of a school closed due to the COVID-19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to COVID-19, (iii) requires a school district to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID-19, and (iv) appropriates \$100,000,000 from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites.

On March 19, 2020, the Governor ordered all California residents to stay home or at their place of residence to protect the general health and well-being, except as needed to maintain continuity of 16 critical infrastructure sectors described therein (the “Stay Home Order”). The District’s schools are currently closed for the remainder of the school year.

To date there have been a number of confirmed cases of COVID-19 in the County and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including the District’s schools). The U.S. is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other

measures to permit instruction while schools remain closed, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. The economic consequences and the declines in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, could have a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District's required contribution rates in future fiscal years. See also "DESERT SANDS UNIFIED SCHOOL DISTRICT – State Retirement Programs" herein.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. Additional information with respect to events surround 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>) and the California Department of Public Health (<https://covid19.ca.gov/>). *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.*

The ultimate impact of COVID-19 on the District's operations and finances is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, state and national economies or the assessed valuation of property within the District, or adversely impact enrollment or average daily attendance within the District and, notwithstanding Executive Order N-26-20 or SB 117, materially adversely impact the financial condition or operations of the District. See also "TAX BASE FOR REPAYMENT OF THE BONDS –Assessed Valuations" herein.

## **Budget Process**

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

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

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above

standards. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

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

***Interim Financial Reports.*** Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. 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 current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

The District has never had an adopted budget disapproved by the County superintendent of schools, and has never received a "negative" certification of an Interim Financial Report pursuant to AB 1200. The District self-designated as "qualified" its second interim financial report for fiscal year 2009-10, and all interim financial reports for fiscal years 2010-11 through 2012-13. For all reporting periods thereafter the District has designated, and the County office of education has accepted, its interim financial reports as "positive."

***Budgeting Trends.*** The table on the following page summarizes the District's adopted general fund budgets for fiscal years 2015-16 through 2019-20, audited ending results for fiscal years 2015-16 through 2018-19, and projected ending results for fiscal year 2019-20.

**GENERAL FUND BUDGETING**  
**Fiscal Years 2015-16 through 2019-20**  
**Desert Sands Unified School District**

	<b>Fiscal Year 2015-16<sup>(1)</sup></b>		<b>Fiscal Year 2016-17<sup>(1)</sup></b>		<b>Fiscal Year 2017-18<sup>(1)</sup></b>		<b>Fiscal Year 2018-19<sup>(1)</sup></b>		<b>Fiscal Year 2019-20</b>	
	<b>Adopted Budget</b>	<b>Audited</b>	<b>Adopted Budget</b>	<b>Audited</b>	<b>Adopted Budget</b>	<b>Audited</b>	<b>Adopted Budget</b>	<b>Audited</b>	<b>Original Adopted Budget<sup>(2)</sup></b>	<b>Projected Actuals<sup>(3)</sup></b>
<b>REVENUES</b>										
LCFF Sources	\$221,363,917	\$221,829,211	\$235,942,070	\$238,425,044	\$245,451,166	\$245,945,081	\$258,391,408	\$260,522,600	\$267,576,822	\$269,140,884
Federal Sources	15,270,988	17,797,513	15,603,046	16,582,687	16,483,210	16,601,854	16,796,308	19,206,588	17,236,624	20,438,155
Other State Sources	25,328,104	34,174,644	27,787,401	28,521,583	24,308,840	30,096,413	31,612,806	43,731,188	22,450,846	24,940,425
Other Local Sources	<u>34,206,006</u>	<u>38,477,926</u>	<u>35,809,706</u>	<u>40,044,680</u>	<u>37,971,584</u>	<u>39,883,113</u>	<u>37,059,276</u>	<u>43,246,825</u>	<u>38,442,732</u>	<u>39,808,095</u>
<b>TOTAL REVENUES<sup>(2)</sup></b>	296,169,015	312,279,294	315,142,223	323,573,994	324,214,800	332,526,461	343,859,798	366,707,201	345,707,024	354,327,559
<b>EXPENDITURES</b>										
Certificated Salaries	118,829,765	131,058,812	135,178,473	138,495,063	142,063,362	139,367,577	146,298,122	143,052,873	145,983,922	145,965,594
Classified Salaries	40,297,667	45,202,649	45,766,988	49,524,322	48,313,784	50,097,344	49,423,653	53,123,740	51,800,499	53,237,501
Employee Benefits	61,255,601	70,401,923	79,245,590	79,959,167	88,719,748	86,767,008	94,332,287	107,038,253	98,488,809	98,868,022
Books & Supplies	22,558,958	13,991,605	15,634,149	18,525,941	13,972,816	12,940,522	14,706,305	14,259,691	15,506,404	22,765,655
Services & Other Operating Expenses	22,658,584	21,909,495	21,333,220	22,731,315	22,137,332	24,334,119	27,178,155	26,766,421	28,459,642	33,344,107
Capital Outlay	1,885,612	--	2,435,292	--	2,411,539	--	3,059,848	--	1,245,000	2,459,835
Other Outgo	2,043,327	542,497	2,183,139	943,999	2,043,700	1,915,828	1,764,468	4,062,076	2,859,266	2,859,266
Transfer of Indirect Costs	--	--	--	--	--	--	--	--	(669,158)	(672,774)
Debt Service	--	<u>2,542,793</u>	--	<u>2,714,382</u>	--	<u>2,745,055</u>	--	<u>2,759,394</u>	--	--
<b>TOTAL EXPENDITURES<sup>(4)</sup></b>	269,529,514	285,649,774	301,776,851	312,894,189	319,662,281	318,167,453	336,762,838	351,062,448	343,674,384	358,827,206
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	26,639,501	26,629,520	13,365,372	10,679,805	4,552,519	14,359,008	7,096,960	15,644,753	2,032,640	(4,499,647)
<b>OTHER FINANCING SOURCES/(USES)</b>										
Transfers In	--	--	--	--	--	--	--	--	--	--
Transfers Out <sup>(5)</sup>	<u>(9,148,181)</u>	<u>(11,721,352)</u>	<u>(10,709,436)</u>	<u>(12,005,915)</u>	<u>(10,705,310)</u>	<u>(8,881,311)</u>	<u>(8,595,689)</u>	<u>(9,688,770)</u>	<u>(9,154,736)</u>	<u>(9,530,723)</u>
<b>TOTAL OTHER FINANCING SOURCES/(USES)</b>	(9,148,181)	(11,721,352)	(10,709,436)	(12,005,915)	(10,705,310)	(8,881,311)	(8,595,689)	(9,688,770)	(9,154,736)	(9,530,723)
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	17,491,320	14,908,168	2,655,936	(1,326,110)	(6,152,791)	5,477,697	(1,498,729)	5,955,983	(7,122,096)	(14,030,370)
<b>Fund Balance, July 1</b>	<u>27,166,309</u>	<u>27,166,309</u>	<u>42,074,477</u>	<u>42,074,477</u>	<u>40,748,367</u>	<u>40,748,367</u>	<u>46,226,064</u>	<u>46,226,064</u>	<u>36,409,360</u>	<u>50,607,065</u>
<b>Fund Balance, June 30</b>	<u>\$44,657,629</u>	<u>\$42,074,477</u>	<u>\$44,730,413</u>	<u>\$40,748,367</u>	<u>\$34,595,576</u>	<u>\$46,226,064</u>	<u>\$44,727,335</u>	<u>\$52,182,047</u>	<u>\$29,287,264</u>	<u>\$36,576,695</u>

(1) From the District's audited financial statements in each fiscal year. Audited beginning and ending fund balances include the District's Fund 17 (Special Reserve for Other than Capital Outlay) for consistency of presentation.

(2) From the District's original adopted budget for Fiscal Year 2019-20.

(3) From the District's second interim financial report, approved by the Board on March 3, 2020.

(4) On behalf payments for fiscal years 2015-16 through 2018-19 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 17 for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are included in the Actual (GAAP Basis) revenues and expenditures, but are not included in the budgets. See "Comparative Financial Statements" herein.

(5) Operating Transfers Out primarily reflect transfers of tax increment revenues to pay debt service on the District's outstanding certificates of participation and equipment lease financings. See "DISTRICT FINANCIAL MATTERS – Other Revenue Sources – Federal and Local Sources – Tax Increment Revenue" herein.

Source: Desert Sands Unified School District.

## Comparative Financial Statements

The District's audited financial statements for fiscal year 2018-19 are attached hereto as APPENDIX B. Audited financial statements for the District for the fiscal year ended June 30, 2019 and prior fiscal years are on file with the District and available for public inspection at the Desert Sands Unified School District, 47-950 Dune Palms Road, La Quinta, California 92253, telephone: (760) 777-4200. The following table reflects the District's audited general fund revenues, expenditures and fund balances for fiscal years 2014-15 through 2018-19.

### AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES Fiscal Years 2014-15 through 2018-19 Desert Sands Unified School District

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
<b>REVENUES</b>					
Revenue Limit/LCFF Sources	\$192,176,182	\$221,829,211	\$238,425,044	\$245,945,081	\$260,522,600
Federal Revenues	17,029,679	17,797,513	16,582,687	16,601,854	19,206,588
Other State Revenues	19,967,406	34,174,644	28,521,583	30,096,413	43,731,188
Other Local Revenues	36,170,559	38,477,926	40,044,680	39,883,113	43,246,825
Total Revenues	265,343,826	312,279,294	323,573,994	332,526,461	366,707,201
<b>EXPENDITURES</b>					
Current					
Instruction	151,404,712	176,212,743	194,751,190	195,762,205	212,665,441
Instruction-related activities:					
Supervision of Instruction	11,633,321	12,518,511	14,312,181	15,235,975	17,393,984
Instructional Library, media, and technology	2,806,388	5,295,420	4,636,647	3,427,402	5,079,730
School site administration	16,228,188	18,842,599	20,239,150	21,361,774	23,031,021
Pupil services:					
Home-to-school transportation	6,946,217	7,055,309	7,898,601	8,814,802	10,032,956
Food services	20,719	13,649	234,251	212,120	512,171
All other pupil services	13,844,364	17,274,778	18,483,438	20,072,442	22,570,138
General administration:					
Data processing	3,451,436	3,768,778	4,205,287	4,705,985	4,971,842
All other general administration	8,722,473	9,986,153	11,614,670	11,331,369	12,837,198
Plant services	26,403,178	27,852,045	29,356,277	29,578,161	32,735,953
Facility acquisition and construction	62,832	23,844	10,000	304,771	1,266,070
Ancillary services	3,752,402	4,169,628	4,297,354	4,545,381	4,889,045
Community services	12,009	21,898	26,086	12,638	20,009
Other outgo	169,941	71,626	114,675	56,761	209,645
Enterprise services	--	--	--	612	20,707
Debt Service					
Principal	--	2,144,534	2,363,303	2,434,511	2,508,672
Interest and Other	335,157	398,259	351,079	310,544	250,722
Total Expenditures	245,793,337	285,649,774	312,894,189	318,167,453	350,995,304
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	19,550,489	26,629,520	10,679,805	14,359,008	15,711,897
<b>OTHER FINANCING SOURCES/(USES)</b>					
Operating Transfers In	--	--	--	--	--
Other Sources	--	--	--	--	--
Operating Transfers Out <sup>(1)</sup>	(10,330,921)	(11,721,352)	(12,005,915)	(8,881,311)	(9,755,914)
Total Other Financing Sources (Uses)	(10,330,921)	(11,721,352)	(12,005,915)	(8,881,311)	(9,755,914)
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Uses</b>	9,219,568	14,908,168	(1,326,110)	5,477,697	5,955,983
<b>Fund Balance, August 1</b>	17,946,741	27,166,309	42,074,477	40,748,367	46,226,064
<b>Fund Balance, June 30</b>	<u>\$27,166,309</u>	<u>\$42,074,477</u>	<u>\$40,748,367</u>	<u>\$46,226,064</u>	<u>\$52,182,047</u>

<sup>(1)</sup> Operating Transfers Out primarily reflect transfers of tax increment revenues to pay debt service on the District's outstanding certificates of participation and equipment lease. See "DESERT SANDS UNIFIED SCHOOL DISTRICT – District Debt Structure – Certificates of Participation" and "—Equipment Lease" herein

Source: Desert Sands Unified School District.

## Accounting Practices

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

## State Budget Measures

*The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the District. The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County in an amount sufficient for the payment thereof.*

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

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

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

- *Local Control Funding Formula* – An increase of \$1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% COLA. For fiscal year 2019-20, the adjusted Base Grants are as follows: (i) \$8,503 for grades K-3, (ii) \$7,818 for grades 4-6, (iii) \$8,050 for grades 7-8, and (iv) \$9,572 for grades 9-12. See also "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula."
- *Settle-Up Payment* – An increase of \$686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.

- *Special Education* – \$645.3 million in ongoing Proposition 98 funding for special education. Specifically, the 2019-20 Budget allocates (i) \$152.6 million to provide all special education local area plans at least the Statewide target rate for base special education funding, and (ii) \$492.7 million in special education funding, to be allocated to school districts based on the number of children between three to five years of age and with exceptional needs that are being served.
- *Pension Costs* – A \$3.15 billion payment from non-Proposition 98 funds to CalSTRS and CalPERS, to reduce long-term liabilities for K-14 school districts. Of this amount, \$850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, CalSTRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The CalPERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and the projected CalPERS employer contribution is expected to be reduced from 23.6% to 22.9 % in fiscal year 2020-21. The remaining \$2.3 billion would be paid towards employers’ long-term unfunded liability. See also “DESERT SANDS UNIFIED SCHOOL DISTRICT – State Retirement Programs.”
- *After School Programs* - \$50 million in ongoing Proposition 98 funding to provide an increase of approximately 8.3% to the per-pupil daily rate for after school education and safety programs.
- *Teacher Support* - \$43.8 million in one-time non-Proposition 98 funding to provide training and resources for classroom educators and paraprofessionals, to build capacity in key State priorities. The 2019-20 Budget also includes \$89.8 million in one-time, non-Proposition 98 funding to provide up to 4,487 grants for students enrolled in professional teacher preparation programs who commit to working in a high-need field at a priority school for at least four years.
- *Broadband Infrastructure* - \$7.5 million in one-time, non-Proposition 98 funding for broadband infrastructure improvements at local educational agencies.
- *Full-Day Kindergarten* - \$300 million in one-time, non-Proposition 98 funding to finance construction or retrofit of facilities to support full-day kindergarten programs.
- *Wildfire-Related Cost Adjustments* – An increase of \$2 million in one-time Proposition 98 funding to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by wildfires which occurred in 2017 and 2018. The 2019-20 Budget also holds both school districts and charter schools impacted by wildfires in 2018 harmless in terms of State funding for two years.
- *Proposition 51* – a total allocation of \$1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

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

***Proposed 2020-21 Budget.*** On January 10, 2020, the Governor released his proposed State budget for fiscal year 2020-21 (the “Proposed 2020-21 Budget”). The following information is drawn from the summaries of the 2019-20 Budget prepared by the State Department of Finance and the LAO.

For fiscal year 2019-20, the Proposed 2020-21 Budget projects total general fund revenues and transfers of \$146.5 billion and total expenditures of \$149.7 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$20 billion, including \$3.1 billion in the traditional general fund reserve, \$16 billion in the BSA and \$900 million in the Safety Net Reserve Fund for the CalWORKs. The Proposed 2020-21 Budget also increases the deposit into the PSSA by \$147.7 million, for a total of \$524 million, in order to comply with Proposition 2. The amount continues to be below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (and amended in 2017). See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751.”

For fiscal year 2020-21, the Proposed 2020-21 Budget projects total general fund revenues and transfers of \$151.6 billion and authorizes expenditures of \$153.1 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of \$20.5 billion, including \$1.6 billion in the traditional general fund reserve, \$18 billion in the BSA and \$900 million in the Safety Net Reserve Fund. The Proposed 2020-21 Budget also authorizes a deposit to the PSSA of \$487 million in order to comply with Proposition 2. This amount is below the amount required to trigger certain maximum local reserve levels for school district. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751.” Pursuant to the provisions of Proposition 2, the Proposed 2020-21 Budget also projects a draw on the PSSA of approximately \$37.6 million.

The Proposed 2020-21 Budget makes certain revisions to Proposition 98 funding levels set by prior budgetary legislation. For fiscal year 2018-19, the minimum funding guarantee is revised to \$78.4 billion, an increase of \$301.5 million from prior levels. For fiscal year 2019-20, the minimum funding guarantee is revised to \$81.6 billion, an increase of \$517 million from the prior level. These increases are due largely to increases in property tax revenues in fiscal year 2018-19, and increases in State general fund revenues in both fiscal years.

For fiscal year 2020-21, the Proposed 2020-21 Budget sets the minimum funding guarantee at \$84 billion, an increase of approximately \$2.6 billion over the revised prior year level. With respect to K-12 education, ongoing per-pupil spending is set at \$17,964. Due to the year-to-year growth in State revenues and a projected decline in ADA, fiscal year 2020-21 is projected to be a “Test 1” year. Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of \$1.2 billion in Proposition 98 funding for the LCFF, reflecting a 2.29% COLA. This would bring total LCFF funding to \$64.2 billion. The Proposed 2020-21 Budget also includes \$600,000 in one-time Proposition 98 funding to improve LCFF fiscal accountability by making Statewide LCAP information more accessible to the public. Finally, the Proposed 2020-21 Budget includes an increase of \$5.7 million in LCFF funding for county offices of education, reflecting a 2.29% COLA.
- *Categorical Programs* – An increase of \$122.4 million in Proposition 98 funding for categorical programs that remain outside the LCFF, reflecting a 2.29% COLA.
- *Special Education* – A new special education base funding formula using a three-year rolling average of local educational agency ADA allocated to special education local plans areas. This funding level would include a 15% increase in the Proposition 98 contribution to the funding rate provided in the prior year’s budgetary legislation. The Proposed 2020-21 Budget also includes an additional \$250 million in ongoing Proposition 98 funding based on the number of children between ages three and five with exceptional needs. Funding would



be allocated on a one-time basis to school districts based on the number of preschool-age children with disabilities.

- *Educator Recruitment and Professional Development* - \$900 million in one-time Proposition 98 funding for six initiatives aimed at improving school employee training, recruitment and retention.
- *Community Schools* - \$300 million in one-time Proposition 98 funding to implement community school models which typically integrate health, mental health and other services for students and families and provides these services directly on school campuses.
- *Opportunity Grants* - \$300 million in one-time Proposition 98 funding to establish opportunity grants for low-performing schools and school districts and to expand the Statewide system of support therefor.
- *Computer Science* - \$15 million in one-time Proposition 98 funding for grants to local educational agencies to support K-12 teachers earning a supplemental authorization to their teaching credential to teach computer science. The Proposed 2020-21 Budget also provides \$2.5 million in one-time Proposition 98 funding for county offices of education to identify, compile and share resources for computer science professional development, curriculum and best practices.
- *School Nutrition* - \$60 million in Proposition 98 funding to increase funding for school nutrition. Additionally, the Proposed 2020-21 Budget includes \$10 million in Proposition 98 funding to provide training for school food service workers.
- *School Facilities* – \$400 million in one-time, non-Proposition 98 funding for eligible school districts to construct new, or to retrofit existing, facilities for full-day kindergarten programs.
- *Proposition 51* – a total allocation of \$1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2019-20 Budget, see the State Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov) and the LAO's website at [www.lao.ca.gov](http://www.lao.ca.gov). However, the information presented on such websites is not incorporated herein by reference.

The Proposed 2020-21 Budget was prepared prior to the novel COVID-19 outbreak, and the projections included therein did not account for any of the negative economic impacts to date associated with the outbreak, nor any potential impacts yet to be realized. See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein. The May revision to the Proposed 2020-21 Budget, and the final budget approved by the Legislature, could reflect significantly lower projections of State revenues or higher projections of State expenditures.

***Future Actions and Events.*** The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. The novel COVID-19 outbreak has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could

negatively impact anticipated State revenue levels for fiscal year 2019-20 and beyond. In addition, the outbreak could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy ad valorem property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

## **DESERT SANDS UNIFIED SCHOOL DISTRICT**

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

### **Introduction**

The Desert Sands Unified School District is a unified school district providing elementary and secondary levels of education under a single Board of Education and centralized administration. Established in 1966, the District currently operates 18 elementary schools, one charter elementary school, six middle schools, one charter middle school, four comprehensive high schools, two continuation high schools, and one Alternative Education School. The District encompasses approximately 752 square miles of the southern part of the County, serving the cities of Indio, Coachella, La Quinta, Indian Wells, Palm Desert, Rancho Mirage and the community of Bermuda Dunes. For fiscal year 2019-20, taxable property within the District has an assessed valuation of \$41,839,202,021 and the District’s ADA is projected to be 24,401 students. The District’s actual student attendance, as well as the assessed valuation of property within the District, may be affected by the outbreak of COVID-19. The District’s schools are closed for the remainder of the school year, and the District has transitioned to distance learning. See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein.

### **Administration**

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

#### **BOARD OF EDUCATION Desert Sands Unified School District**

<b><u>Board Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Linda Porras	President	December 2020
Donald B. Griffith	Vice President/Clerk	December 2022
Ana M. Conover	Member	December 2022
Wendy Jonathan	Member	December 2020
Gary Tomak	Member	December 2020

The Superintendent of the District is responsible for administering the affairs of the District in

accordance with the policies of the Board.

***Scott Bailey, Superintendent.*** Mr. Scott Bailey was appointed to serve as Superintendent of the District effective April 2017. Immediately prior thereto, he was the Chief Academic Officer at the Washoe County School District. Mr. Bailey has also previously held the positions of Director of School Performance, Principal, Assistant Principal, Headmaster, and Teacher. Mr. Bailey received his Master of Science in Educational Leadership and Administration, Supervision and Evaluation from Pittsburg State University, and Bachelor's Degree from Pittsburg State University.

***Jordan Aquino, Assistant Superintendent, Business Services.*** Mr. Jordan Aquino was appointed to serve as Assistant Superintendent of Business Services of the District effective October 2018. He has previously held the positions of Director of Fiscal Services, Chief Financial Officer, Consultant, and Assistant Superintendent of Business Services. Mr. Aquino received his MBA from California State University, Bakersfield and his Bachelor of Arts degree in Business Economics and Professional Writing minor from the University of California, Santa Barbara. He also has earned Chief Business Official certifications through the Fiscal Crisis and Management Assistance Team Chief Business Officials Mentor Project and the California Association of School Business Officials program.

## **Charter Schools**

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education, or the State Board of Education.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to: (i) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (iii) provide competition within the public school system to stimulate improvements in all public schools.

The District has certain fiscal oversight and other responsibilities with respect to both independent and affiliated charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District's audited financial statements. Affiliated charter schools receive their funding from the District, and would be reflected in the District's audited financial statements.

The District has approved two petitions to establish charter schools within the District: Washington Charter School, which opened in the 1994-95 fiscal year, and Palm Desert Middle Charter School, which opened in July 2008 (collectively, the "Charter Schools"). Both of the Charter Schools are affiliated charter schools. Approximately 2,207 students are currently enrolled in the Charter Schools. Under the LCFF, charter schools are funded on the basis of target base funding grants per unit of ADA substantially similar to those of school districts. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula" herein. Both of the Charter Schools have suspended in-person instruction as a result of the COVID-19 outbreak, and have transitioned to distance learning.

The District can make no representations as to whether additional charter schools will be established within the boundaries of the District, the amount of any future transfers of students from the District to charters schools, and the corresponding financing impact on the District.

## **Labor Relations**

District employees, except management, confidential and some part-time employees, are represented by two bargaining units as noted in the following table:

### **LABOR RELATIONS Desert Sands Unified School District**

<b><u>Labor Organization</u></b>	<b><u>Number of Employees in Organization</u></b>	<b><u>Contract Expiration Date</u></b>
Desert Sands Teachers' Association (DSTA)	1,404	6/30/2020
California School Employees Association (CSEA)	1,099	6/30/2021

*Source: Desert Sands Unified School District.*

## **State Retirement Programs**

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

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

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"),

within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

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

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

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*Source: AB 1469.*

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

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

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

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

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*Source: AB 1469.*

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

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

The District’s contributions to STRS were \$14,581,647 for fiscal year 2015-16, \$17,837,783 for fiscal year 2016-17, \$20,785,905 for fiscal year 2017-18, and \$24,108,837 in fiscal year 2018-19. The District has projected a contribution of \$25,520,836 to STRS for fiscal year 2019-20.

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

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

**PERS.** Classified employees working four or more hours per day are members of the Public Employees’ Retirement System (“PERS”). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund (“PERF”). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2018 included 1,579 public agencies and 1,313 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for “classified employees,” which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the “Schools Pool”).

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 20.733% of eligible salary expenditures in fiscal year 2019-20. The employer contribution rate for fiscal year 2020-21 will be 22.68%, which reflects an initial actuarially determined rate of 23.35% that has been reduced by 0.67% pursuant to SB 90. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2019-20 and will be 7% of such salaries in fiscal year 2020-21, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2019-20 and will be 7% in fiscal year 2020-21. See “— California Public Employees’ Pension Reform Act of 2013” herein.

Pursuant to SB 90, the State legislature appropriated \$144 million for fiscal year 2019-20 and \$100 million for fiscal year 2020-21 to be transferred to the Public Employees' Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State legislature appropriated \$660 million to be applied toward certain unfunded liabilities for K-14 school district employers. As a result of the payments made by the State pursuant to SB 90, the employer contribution rate for fiscal year 2019-20 is 19.721%. "DISTRICT FINANCIAL INFORMATION – State Budget."

The District's contributions to PERS were \$5,676,752 for fiscal year 2015-16, \$7,045,785 for fiscal year 2016-17, \$8,117,506 for fiscal year 2017-18, and \$9,887,960 in fiscal year 2018-19. The District has projected a contribution of \$11,747,918 to PERS for fiscal year 2019-20.

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

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

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**FUNDED STATUS**  
**STRS (Defined Benefit Program) and PERS (Schools Pool)**  
**(Dollar Amounts in Millions) <sup>(1)</sup>**  
**Fiscal Years 2010-11 through 2018-19**

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

<b><u>PERS</u></b>					
<b><u>Fiscal Year</u></b>	<b><u>Accrued Liability</u></b>	<b><u>Value of Trust Assets (MVA) <sup>(2)</sup></u></b>	<b><u>Unfunded Liability (MVA) <sup>(2)</sup></u></b>	<b><u>Value of Trust Assets (AVA) <sup>(3)</sup></u></b>	<b><u>Unfunded Liability (AVA) <sup>(3)</sup></u></b>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2014-15	73,325	56,814	16,511	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2015-16	77,544	55,785	21,759	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2016-17	84,416	60,865	23,551	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2017-18	92,071	64,846	27,225	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2018-19	99,528	68,177	31,351	-- <sup>(4)</sup>	-- <sup>(4)</sup>

<sup>(1)</sup> Amounts may not add due to rounding.

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

<sup>(3)</sup> Reflects actuarial value of assets.

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

<sup>(5)</sup> On April 21, 2020, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2020-21 and released certain actuarial information to be incorporated into the June 30, 2019 actuarial valuation to be released in the latter half of 2020.

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

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



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

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

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

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

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

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

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

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

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

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

On April 21, 2020, the PERS Board established the employer contribution rates for 2020-21 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2019, ahead of its release date in the latter half of 2020. From June 30, 2018 to June 30, 2019 the funded status for the Schools Pool decreased by 1.9% (from 70.4% to 68.5%); mainly due to the reduction in the discount rate from 7.25% to 7.00% and investment return in 2018-19 being lower than expected. The funded status as of June 30, 2019 does not reflect the State's additional payment of \$660 million that was made pursuant to SB 90, since PERS received the payment in July 2019. PERS attributes the decline in the funded status over the last five years to recent investment losses in excess of investment gains, adoption of new assumptions, both demographic and economic, lowering of the discount rate, and negative amortization. Assuming all actuarial assumptions are realized, including investment return of 7% in fiscal year 2019-20, that no changes to assumptions, methods of benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2021-22 is projected to be 24.6%, with annual increases thereafter, resulting in a projected 26.2% employer contribution rate for fiscal year 2026-27. As of the April 21, 2020, PERS reported that the year to date return for the 2019-20 fiscal year was well below the 7% assumed return.

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

**California Public Employees' Pension Reform Act of 2013.** On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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

As of June 30, 2019, the District reported its share of the net pension liabilities for the STRS and PERS systems to be \$243,087,409 and \$105,044,784, respectively. See also "APPENDIX B – THE 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 14" attached hereto.

**Supplemental Employee Retirement Plan.** The District has adopted a supplemental early retirement plan ("SERP") whereby certain eligible employees are provided an annuity to supplement the

retirement benefits such employees are entitled to receive through the CalSTRS or CalPERS retirement systems. The District has entered into an agreement with the Public Agency Retirement System (PARS), whereby the District pays contributions to the PARS administrator, who then provides supplemental income to eligible employees. Annuities have been purchased for 184 employees, and are paid over a five-year period.

The accumulated future liability for the District for the SERP, as of June 30, 2019 amounted to \$119,460, and future payments are as shown in the following table.

<b>Year Ending</b>	
<b><u>June 30,</u></b>	<b><u>Payment</u></b>
2020	\$58,220
2021	30,621
2022	<u>30,619</u>
Total	<u>\$119,460</u>

### **Other Post-Employment Benefits**

**Program Benefits.** The District operates a defined benefit health care program (the “Program”) that provides medical insurance benefits to eligible retirees and their spouses. The benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the Program. The following is a description of the Program:

	<b><u>Certificated</u></b>	<b><u>Classified</u></b>	<b><u>Management</u></b>
Benefit types provided	Medical only	Medical only	Medical only
Duration of benefits	To age 65	To age 65	To age 65
Required service	8 years*	8 years*	8 years*
Minimum age	60**	55**	50**
Dependent coverage	Yes	Yes	Yes
District contribution %	100%	100%	100%
District cap	Bargaining Unit Cap***	Bargaining Unit Cap	Classified Bargaining Unit Cap

\* While only 8 years of District service is required, the retiree must have 15 years of creditable service in the retirement system prior to retirement.

\*\* Minimum age for certificated hired before 7/1/06 of 55; minimum age of 50 for classified hired before 7/1/06.

\*\*\* Plus a supplement from the difference between total cap minus actual premium (if any).

Membership of the Program, as of June 30, 2019, consisted of 198 retirees and beneficiaries currently receiving benefits and 2,393 active Program members.

**Funding Policy.** The contribution requirements of employees and the District are established and amended by the District, its bargaining units, and unrepresented groups on an annual basis. The District’s contribution is currently based on a “pay-as-you-go” basis to cover the cost of benefits for current retirees. For fiscal years 2016-17, the District contributed \$3,284,745 to the Program, all of which was used for premiums. For fiscal year 2017-18, the District contributed \$4,846,694 to the Program, all of which was used for premiums. For fiscal year 2018-19, the District contributed \$4,909,629 to the Program, all of which was used for premiums. The District has projected its contribution for fiscal year 2019-20 to be \$5,018,512.

**GASB Statement Nos. 74 and 75.** On June 2, 2015, GASB Statement No. 74 and GASB Statement No. 75 with respect to pension accounting and financial reporting standards for public sector

post-retirement benefit programs and the employers that sponsor them. GASB Statement No. 74 replaces GASB Statements No. 43 and 57 and GASB Statement No. 75 replaces GASB Statement No. 45.

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

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

GASB Statement No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 is effective for employer fiscal years beginning after June 15, 2017. The District has recognized GASB Statement No. 74 and GASB Statement No. 75 in their financial statements for fiscal year 2017-18. See "APPENDIX B – THE 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10 – Net Other Postemployment Benefit (OPEB) Liability" attached hereto.

**Actuarial Study.** The District's most recent actuarial study, dated as of August 9, 2019, calculated the District's accrued liability in accordance with GASB No. 74 and GASB No. 75. The study concluded that, as of a June 30, 2019 valuation date, the District's Total OPEB Liability was \$79,633,863, its Fiduciary Net Position was \$0 and its Net OPEB Liability was \$79,633,863. In calculating the accrued liability, the District is required to recognize an implicit subsidy in retiree premium rates because retirees and current employees in the District's health insurance plan are insured as a group, and it is assumed that the premiums paid for retiree insurance coverage are lower than they would have been if current retirees were insured separately.

**Medicare Premium Payment Program.** The District participates in the Medicare Premium Payment ("MPP") Program, a cost-sharing multiple-employer other postemployment benefit plan. STRS administers the MPP Program through the Teachers' Health Benefit Fund (the "THBF"). The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRS Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The MPP Program is now closed to new entrants.

The MPP Program is funded on a pay-as-you-go basis from a portion of the monthly District benefit payments. Benefit payments that would otherwise be credited to the STRS Defined Benefit Program each month are instead credited to the MPP Program to fund monthly program and administrative costs.

The District's proportionate share of the net MPP Program liability as of June 30, 2019 was \$1,817,146. See also "APPENDIX B – THE 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10 – Net Other Postemployment Benefit (OPEB) Liability" attached hereto.

## **Risk Management**

The District is exposed to various risks related to torts, theft, damage and destruction of assets, errors and omissions, injuries to employees, life and health of employees, cyber intrusions and natural disasters. These risks are addressed through a combination of commercial insurance, self-insurance (for workers' compensation, life insurance and accidental death and dismemberment coverage ("AD&D")), and participation in certain public entity risk pools, as described below.

The District is a member of the Riverside Schools' Insurance Authority ("RSIA") and the Riverside County Employer/Employee Partnership for Benefits ("REEP") joint powers authorities (each a "JPA") for purposes of property and liability insurance coverage, and for life insurance and AD&D coverage, respectively, and the California's Valued Trust (the "Trust") for purposes of health and welfare coverage. The District pays an annual premium to RSIA and the Trust for its property and health and welfare coverage, respectively; the employees may elect to pay for life insurance or AD&D coverage to REEP. The JPAs are each governed by a board consisting of representatives from member districts. Each governing board controls the operations of its JPA, including selection of management approval of operating budgets, independent of any influence by the member districts beyond the District's representation on the governing boards. The Trust is governed by a board of trustees consisting of management and labor representatives appointed by their respective constituents. The trustees control the operations of the trust including management approval of operating budgets, independent of any influence by the member districts. Member districts share surpluses and deficits proportionally to their participation in the JPAs and the Trust. The relationships between the District, the JPAs and the Trust are such that none are considered component units of the District for financial reporting purposes.

There are a number of claims pending against the District. In the opinion of the District, the related liability, if any, stemming from these claims will not materially affect the financial condition of the District. Settled claims have not exceeded available insurance coverages in the past three fiscal years. Based upon prior claims experience, the District believes that it has adequate insurance coverage. See also "APPENDIX B – 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13" and "—Note 16" herein.

## District Debt Structure

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

### OUTSTANDING LONG TERM DEBT<sup>(1)</sup>

As of June 30, 2019

#### Desert Sands Unified School District

	Balance <u>July 1, 2018</u>	Additions and <u>Adjustments</u>	<u>Deductions</u>	Balance <u>June 30, 2019</u>
General obligation bonds	\$294,895,000	\$100,000,000	\$13,255,000	\$381,670,000
Premium on Issuance	33,782,014	8,807,058	2,766,919	39,822,153
Certificates of Participation	43,550,000	--	6,550,000	37,000,000
Premium on Issuance	3,751,414	--	715,499	3,035,915
Capital leases <sup>(2)</sup>	5,094,609	--	2,508,672	2,585,937
Supplemental Early Retirement Program	204,515	--	85,055	119,460
Compensated absences (vacations)	1,072,451	43,249	--	1,115,700
Net OPEB Liability	81,632,364	6,645,893	181,355	88,096,902
Claims Liability <sup>(3)</sup>	<u>11,128,875</u>	<u>3,738,165</u>	--	<u>14,867,040</u>
TOTAL	<u>\$475,111,242</u>	<u>\$119,234,365</u>	<u>\$26,032,500</u>	<u>\$568,313,107</u>

(1) Does not include special assessment debt associated with the District CFD Special Tax Bonds (defined herein), pursuant to GASB statement No. 6. See “—Community Facilities District Bonds” herein.

(2) Reflect liability associated with the District’s Equipment Lease. See “—Equipment Lease” herein.

(3) Reflects liabilities associated with certain workers’ compensation claims, including an amount for claims that have been incurred but not reported (“IBNR”).

Source: Desert Sands Unified School District.

**Community Facilities District Bonds.** The District has formed a community facilities improvement district (“CFD”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code) for the purpose of raising funds for the construction and acquisition of various public school improvements within the CFD. On June 22, 2000, the CFD issued \$2,285,00 of its special tax bonds (“Special Tax Bonds”) payable from a special tax (the “Special Tax”) to be levied on all taxable parcels within the CFD, pursuant to a rate and method of apportionment of special taxes (the “RMA”) approved by registered voters of the CFD. The Special Tax Bonds are special obligations of the CFD, payable solely from the net proceeds of the Special Tax levied within the CFD. The District’s general fund is not a source of payment for the Special Tax Bonds. The CFD has covenanted to levy in each year an amount of Special Taxes at least equal to (i) any amounts necessary to fund specified administration costs of the CFD, and (ii) 110% of the debt service coming due on the Special Tax Bonds in such year. The Special Tax Bonds mature on September 1, 2025, and are currently outstanding in a principal amount equal to \$925,000.

The following table displays the annual debt service requirements for the Special Tax Bonds (assuming no optional redemptions).

**ANNUAL DEBT SERVICE  
SPECIAL TAX BONDS<sup>(1)</sup>  
Community Facilities District No. 1 of the Desert Sands Unified School District**

<b>Period Ending <u>September 1</u></b>	<b>Annual <u>Debt Service</u></b>
2020	\$176,031.26
2021	167,781.26
2022	169,531.26
2023	170,593.76
2024	170,968.76
2025	<u>165,656.26</u>
Total	<u>\$1,194,156.32</u>

*Source: Desert Sands Unified School District.*

***Equipment Lease.*** On May 23, 2014, the District executed and delivered a Master Equipment Lease-Purchase Agreement (the “Equipment Lease”) pursuant to which the District is financing the acquisition of certain solar equipment for installation at various school sites. The Equipment Lease is payable from semi-annual rent payments to be made thereunder, and for which the District is required to appropriate sufficient funds in each fiscal year. Rent payments are payable from any legally available source, and are expected to be paid principally from Tax-Increment Revenue received from certain Successor Agencies. See “DISTRICT FINANCIAL MATTERS – Other Revenue Sources – Tax Increment Revenue” herein. The final rent payments in connection with the Equipment Lease, in the amount of \$2,624,596, are payable in fiscal year 2019-20.

***Certificates of Participation.*** On June 25, 2014, the District executed and delivered its Certificates of Participation (2014 Financing Project) (the “2014 Certificates”), evidencing principal in the amount of \$18,895,000, to finance additional construction at Indio High School. On June 24, 2015, the District executed and delivered its 2015 Refunding Certificates of Participation (the “2015 Certificates”), evidencing principal in the amount of \$25,340,000, to refund certain other then-outstanding certificates of participation.

Each of the foregoing certificates of participation issuances evidences fractional and undivided interests in the right to receive certain lease payments, and any prepayments thereof, to be made by the District pursuant to lease-purchase agreements (each “Lease”) by and between the District and the Desert Sands Unified School District School Building Corporation. Such lease payments are designed to pay, when due, the principal and interest with respect to each such issuance of certificates of participation. The District has covenanted in each Lease that it will take such action as may be necessary to include such lease payments and other payments due under such Lease in its annual budgets and to make the necessary annual appropriations therefor.



The following table summarizes future annual lease payment requirements of the District with respect its outstanding certificates of participation (and assuming no extraordinary prepayments or future optional prepayments).

**ANNUAL LEASE PAYMENTS – CERTIFICATES OF PARTICIPATION**  
**Desert Sands Unified School District**

<b>Year Ending March 1</b>	<b>2014 Certificates</b>	<b>2015 Certificates</b>	<b>Total Annual Lease Payments</b>
2021	\$1,711,381.26	\$4,856,000.00	\$6,567,381.26
2022	1,711,381.26	4,856,250.00	6,567,631.26
2023	1,711,981.26	4,856,500.00	6,568,481.26
2024	1,716,231.26	4,856,250.00	6,572,481.26
2025	1,711,981.26	--	1,711,981.26
2026	1,713,981.26	--	1,713,981.26
2027	1,713,681.26	--	1,713,681.26
2028	1,715,087.50	--	1,715,087.50
2029	<u>1,712,925.00</u>	<u>--</u>	<u>1,712,925.00</u>
	<u>\$15,418,631.32</u>	<u>\$19,425,000.00</u>	<u>\$34,843,631.32</u>

Source: Desert Sands Unified School District.

**General Obligation Bonds.** On November 6, 2001, the voters of the District approved the issuance of \$450,000,000 of general obligation bonds of the District (the “2001 Authorization”), payable from *ad valorem* taxes levied on taxable property within the District. The District has issued four series of bonds comprising the entirety of the 2001 Authorization, as well as three series of refunding bonds to refund outstanding portions thereof. Portions of two of such series of bonds are expected to be refinanced with proceeds of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

On November 4, 2014, the voters of the District approved the issuance of \$225,000,000 of general obligation bonds of the District at the 2014 Authorization. The District has caused the issuance of two series of bonds under the 2014 Authorization, leaving \$50,000,000 of bonds unissued.

The following table summarizes the District’s prior bond issuances, not including the Bonds.

**General Obligation Bonded Debt**

<b>Issuance</b>	<b>Initial Principal Amount</b>	<b>Principal Outstanding<sup>(1)</sup></b>	<b>Date of Delivery</b>
Election of 2001, Series 2012 Bonds	\$74,000,000.00	\$61,290,000.00	December 13, 2012
2013 Refunding Bonds, Series A	52,355,000.00	52,355,000.00	June 5, 2013
2013 Refunding Bonds, Series B	9,900,000.00	4,180,000.00	June 5, 2013
2015 Refunding Bonds	84,640,000.00	76,780,000.00	July 22, 2015
Election of 2014, Series 2015 Bonds	75,000,000.00	57,675,000.00	July 22, 2015
2016 Refunding Bonds	21,940,000.00	18,495,000.00	April 20, 2016
Election of 2014, Series 2019 Bonds	100,000,000.00	100,000,000.00	February 27, 2019

<sup>(1)</sup> As of February 1, 2020. Includes outstanding principal of the Prior Bonds expected to be refunded with proceeds of the Bonds. See “ESTIMATED SOURCES AND USES OF THE BONDS” herein.

Source: Desert Sands Unified School District.

The following table displays the annual debt service requirements of the District for all of its outstanding general obligation bonds (and assuming no further optional redemptions).

**GENERAL OBLIGATION BOND ANNUAL DEBT SERVICE<sup>(1)</sup>**

**Desert Sands Unified School District**

<b>Period</b>	<b>Election of 2001</b>	<b>2013</b>	<b>2013</b>	<b>Election of 2014</b>			<b>Election of 2014</b>		
<b>Ending</b>	<b>Series 2012</b>	<b>Refunding</b>	<b>Refunding</b>	<b>Series 2015</b>	<b>2015 Refunding</b>	<b>2016 Refunding</b>	<b>Series 2019</b>		<b>Total Annual</b>
<b>Aug. 1</b>	<b>Bonds<sup>(2)*</sup></b>	<b>Bonds</b>	<b>Bonds</b>	<b>Bonds<sup>(2)*</sup></b>	<b>Bonds</b>	<b>Bonds</b>	<b>Bonds</b>	<b>The Bonds</b>	<b>Debt Service</b>
		<b>Series A<sup>(2)*</sup></b>	<b>Series B</b>						
2020	\$4,992,600.00	\$4,179,575.00	\$59,831.80	\$2,226,562.50	\$7,965,475.00	\$430,025.00	\$7,610,700.00		
2021	5,870,600.00	1,196,900.00	3,999,663.60	3,226,625.00	9,961,950.00	860,050.00	6,008,200.00		
2022	5,869,400.00	5,163,750.00	309,006.00	3,226,875.00	10,171,950.00	860,050.00	4,193,400.00		
2023	5,876,400.00	5,754,750.00	--	3,223,875.00	10,384,700.00	860,050.00	4,193,400.00		
2024	5,870,500.00	6,048,000.00	--	3,227,625.00	10,603,700.00	860,050.00	4,193,400.00		
2025	5,869,300.00	4,028,250.00	--	3,227,625.00	10,832,200.00	2,840,050.00	4,193,400.00		
2026	700,500.00	4,221,000.00	--	3,223,875.00	11,058,200.00	2,941,050.00	4,193,400.00		
2027	6,075,500.00	--	--	3,226,375.00	11,290,200.00	3,047,050.00	4,518,400.00		
2028	539,250.00	--	--	3,225,650.00	11,528,400.00	3,147,300.00	4,902,150.00		
2029	6,354,250.00	--	--	3,223,850.00	--	3,256,550.00	6,295,900.00		
2030	6,354,800.00	--	--	3,225,600.00	--	3,373,800.00	6,543,150.00		
2031	6,355,100.00	--	--	3,227,600.00	--	3,489,200.00	6,807,650.00		
2032	--	--	--	3,224,600.00	--	--	7,077,650.00		
2033	--	--	--	956,600.00	--	--	7,351,900.00		
2034	--	--	--	956,600.00	--	--	7,639,150.00		
2035	--	--	--	956,600.00	--	--	7,942,650.00		
2036	--	--	--	956,600.00	--	--	8,250,400.00		
2037	--	--	--	956,600.00	--	--	8,568,800.00		
2038	--	--	--	956,600.00	--	--	8,896,000.00		
2039	--	--	--	3,996,600.00	--	--	9,240,800.00		
2040	--	--	--	3,994,600.00	--	--	9,591,800.00		
2041	--	--	--	3,995,100.00	--	--	9,957,800.00		
2042	--	--	--	3,997,600.00	--	--	10,340,600.00		
2043	--	--	--	3,996,600.00	--	--	10,729,600.00		
2044	--	--	--	3,998,800.00	--	--	11,138,400.00		
<b>Total</b>	<b>\$60,728,200.00</b>	<b>\$30,592,225.00</b>	<b>\$4,368,501.40</b>	<b>\$70,655,637.50</b>	<b>\$93,796,775.00</b>	<b>\$25,965,225.00</b>	<b>\$180,378,700.00</b>		

\* Preliminary, subject to change.

<sup>(1)</sup> The 2013 Refunding Bonds and the 2016 Refunding Bonds mature on June 1 of the years indicated; interest payment dates on such bonds are made semiannually on June 1 and December 1. Interest on all other bonds is payable on February 1 and August 1 of each year, with principal maturing on August 1 of each year as indicated.

<sup>(2)</sup> Does not include debt service on the Prior Bonds expected to be refunded with proceeds of the Bonds.

Source: The Underwriter.

## **TAX MATTERS**

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

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

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

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

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

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

## **LIMITATION ON REMEDIES; BANKRUPTCY**

### **General**

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

contained in the Bankruptcy Code necessary for filing such a petition. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

### **Statutory Lien**

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

### **Special Revenues**

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

### **Possession of Tax Revenues; Remedies**

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County’s pooled

investment fund, as described in “THE BONDS – Application and Investment of Bond Proceeds” herein and “APPENDIX E – RIVERSIDE COUNTY INVESTMENT POOL” attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

### **Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor’s Rights**

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

## **LEGAL MATTERS**

### **Legality for Investment in California**

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

### **Continuing Disclosure**

***Current Undertaking.*** In connection with the issuance of the Bonds, the District has covenanted for the benefit of bondholders (including the Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (the “Annual Reports”) by not later than nine months following the end of the District’s fiscal year (which currently ends June 30), commencing with the report for the 2019-20 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

***Prior Undertakings.*** Within the past five years, the District failed to file a portion of the annual reports for fiscal years 2014-15 and 2015-16 in connection with one series of previously-outstanding certificates of participation.

### **Absence of Material Litigation**

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

### **Financial Statements**

The financial statements with required supplemental information for the year ended June 30, 2019, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Eide Bailly LLP (the "Auditor") dated October 24, 2019, are included in this Official Statement as APPENDIX B. In connection with the inclusion herein, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

### **Escrow Verification**

Upon delivery of the Bonds, Causey Demgen & Moore P.C., will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the adequacy of the maturing principal of and interest on the Escrow Investment Securities in the Escrow Fund, together with any moneys held therein as cash, to pay the redemption price of and interest on with respect to the Prior Bonds.

### **Legal Opinion**

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers of the Bonds without cost. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

## **MISCELLANEOUS**

### **Ratings**

The Bonds have been assigned ratings of "Aa2" by Moody's and "AA" by S&P. The ratings reflect only the views of the rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody's, 7 World Trade Center at 250 Greenwich, New York, NY 10007 and Standard & Poor's Ratings Services, 55 Water Street, 45th Floor, New York, NY 10041. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

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

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

## **Underwriting**

The Bonds are being purchased by RBC Capital Markets, LLC (the "Underwriter") for a purchase price of \$ \_\_\_\_\_ (which is equal to the principal amount of the Bonds of \$ \_\_\_\_\_, plus original issue premium of \$ \_\_\_\_\_, less an underwriting discount of \$ \_\_\_\_\_).

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

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

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

The Underwriter made a voluntary contribution to the committee that was formed to support one of the elections authorizing certain of the Prior Bonds.

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### **Additional Information**

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

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

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

### **DESERT SANDS UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
Scott Bailey  
Superintendent



## APPENDIX A

### FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

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

\_\_\_\_\_, 2020

Board of Education  
Desert Sands Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$\_\_\_\_\_ Desert Sands Unified School District 2020 General Obligation Refunding Bonds (Federally Taxable) (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board of Education of the District adopted on March 17, 2020 (the “Resolution”).
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”).
4. Interest on the Bonds is exempt from State of California personal income tax.
5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner’s basis in the applicable Bond.

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

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

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

Respectfully submitted,

## **APPENDIX B**

### **THE 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**



Annual Financial Report  
June 30, 2019

## Desert Sands Unified School District



# DESERT SANDS UNIFIED SCHOOL DISTRICT

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Desert Sands Unified School District  
La Quinta, 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 Desert Sands 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.



## ***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 Desert Sands 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 13, budgetary comparison schedule on page 78, schedule of changes in the District's total OPEB liability and related ratios on page 79, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 80, schedule of the District's proportionate share of net pension liability on page 81, and the schedule of District contributions on page 82 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 Desert Sands Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the 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 October 24, 2019, on our consideration of the Desert Sands 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 Desert Sands 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 Desert Sands Unified School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
October 24, 2019



## DESERT SANDS UNIFIED SCHOOL DISTRICT

47-950 Dune Palms Road • La Quinta, California 92253 • (760) 777-4200 • FAX: (760) 771-8505

BOARD OF EDUCATION: Ana M. Conover, Donald B. Griffith, Wendy Jonathan, Linda Porras, Gary Tomak  
SUPERINTENDENT: Scott L. Bailey

This section of Desert Sands 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 for the year ended June 30, 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. 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 Desert Sands Unified School District.

*The Future Is Here!*

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### ***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 deferred outflows of resources, and liabilities and deferred inflows of resources, 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 will serve as a useful indicator of whether the financial position of the District 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 are the District's *operating results*. Since the 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*** - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, 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.

### ***FINANCIAL HIGHLIGHTS OF THE PAST YEAR***

- The Assessed Valuation of taxable property within the District increased to \$40,962,588,022.
- The net change in capital assets decreased by \$3,245,359.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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### ***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 U.S. and California 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 Fund 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 funds are reported with governmental activities in the government-wide financial statements.

### ***THE DISTRICT AS 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. The District's fiduciary activities are reported in the *Statements of Fiduciary 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.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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### *THE DISTRICT AS A WHOLE*

#### *Net Position*

The District's net position was \$408,301,052 for the fiscal year ended June 30, 2019, compared to \$385,779,967 in the prior year. Of this amount, \$(234,964,992) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the Board's ability to use the 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
<b>Assets</b>		
Current and other assets	\$ 333,854,875	\$ 204,933,995
Construction receivable	2,797,950	-
Capital assets	925,895,551	929,160,910
<b>Total Assets</b>	<b>1,262,548,376</b>	<b>1,134,094,905</b>
<b>Deferred Outflows of Resources</b>		
Deferred charge on refunding	11,714,741	13,076,703
Deferred outflows of resources related to net other post employment benefits (OPEB) liability	1,759,364	-
Deferred outflows of resources related to pensions	103,071,107	110,085,288
<b>Total Deferred Outflows of Resources</b>	<b>116,545,212</b>	<b>123,161,991</b>
<b>Liabilities</b>		
Current liabilities	36,685,226	39,365,474
Long-term obligations	568,313,107	477,551,073
Aggregate net pension liability	348,132,193	337,632,420
<b>Total Liabilities</b>	<b>953,130,526</b>	<b>854,548,967</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	17,662,010	16,927,962
<b>Net Position</b>		
Net investment in capital assets	587,606,750	582,576,781
Restricted	55,659,294	43,044,972
Unrestricted deficit	(234,964,992)	(239,841,786)
<b>Total Net Position</b>	<b>\$ 408,301,052</b>	<b>\$ 385,779,967</b>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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The \$(234,964,992) in unrestricted net deficit 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 15. 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
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 6,983,698	\$ 6,121,490
Operating grants and contributions	68,250,076	65,824,648
Capital grants and contributions	17,714,281	-
General revenues:		
Federal and State aid not restricted	198,384,148	185,141,133
Property taxes	145,107,864	137,246,193
Other general revenues	18,895,194	11,828,416
<b>Total Revenues</b>	<b>455,335,261</b>	<b>406,161,880</b>
<b>Expenses</b>		
Instruction-related	\$ 308,158,719	\$ 290,630,270
Pupil services	49,996,107	47,271,371
Administration	19,979,484	18,270,343
Plant services	33,437,201	31,590,013
Other	21,242,665	18,386,296
<b>Total Expenses</b>	<b>432,814,176</b>	<b>406,148,293</b>
<b>Change in Net Position</b>	<b>\$ 22,521,085</b>	<b>\$ 13,587</b>

### *Governmental Activities*

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$432,814,176 compared to \$406,148,293 in the prior year, an increase of \$26,665,883 or 6.57 percent. The amount that our taxpayers ultimately financed for these activities through local taxes was \$145,107,864 because the cost was paid by those who benefited from the programs (\$6,983,698) or by other governments and organizations who subsidized certain programs with grants and contributions (\$85,964,357). We paid for the remaining "public benefit" portion of our governmental activities with \$217,279,342 in Federal and State funds and other revenues, like interest and general entitlements.

## DESERT SANDS UNIFIED SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

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In Table 3, we have presented the net cost (total cost less revenues generated by the activities) of each of the District's largest functions – instruction, instruction-related activities, home-to-school transportation, other pupil services, administration, plant services, ancillary services, interest on long-term obligations, and other outgo. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Table 3**

	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction-related	\$ 308,158,719	\$ 240,844,924	\$ 290,630,270	\$ 244,672,400
Pupil services	49,996,107	32,722,276	47,271,371	29,158,032
Administration	19,979,484	18,838,584	18,270,343	17,243,083
Plant services	33,437,201	32,978,719	31,590,013	31,279,307
All other services	21,242,665	14,481,618	18,386,296	11,849,333
Total	<u>\$ 432,814,176</u>	<u>\$ 339,866,121</u>	<u>\$ 406,148,293</u>	<u>\$ 334,202,155</u>

### ***THE DISTRICT'S FUNDS***

As the District completed this year, our governmental funds reported a combined fund balance of \$272,331,165, which is an increase of \$128,647,830 from last year (Table 4).

**Table 4**

	Balances and Activity			
	July 1, 2018	Revenues	Expenditures	June 30, 2019
General Fund	\$ 46,226,064	\$ 366,707,201	\$ 360,751,218	\$ 52,182,047
Building Fund	21,211,405	101,241,269	8,584,434	113,868,240
Special Reserve Fund for Capital Outlay Projects	24,217,293	27,050,115	9,540,827	41,726,581
Bond Interest and Redemption Fund	32,564,322	40,045,865	26,126,015	46,484,172
Non-Major Governmental Funds	19,464,251	67,528,810	68,922,936	18,070,125
Total	<u>\$ 143,683,335</u>	<u>\$ 602,573,260</u>	<u>\$ 473,925,430</u>	<u>\$ 272,331,165</u>

The primary reasons for changes are the following:

1. The General Fund is the District's principal operating fund. The fund balance in the General Fund increased by \$5,955,983 from the previous year due to the receipt of one-time monies.
2. The Building Fund increased by \$92,656,835 due to a \$100,000,000 Measure KK bond issuance.
3. The Special Reserve Fund for Capital Outlay Projects increased by \$17,509,288 due to a transfer of revenues related to the State School Facilities Funds.



# DESERT SANDS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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### *General Fund Budgetary Highlights*

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. Within 45 days of adoption of the State Budget, the District is required to provide the Board of Education with the budgetary impact. In addition, budget changes due to having the actual ending fund balances from the previous year are made in September, when the Unaudited Actuals Report is submitted to the Board.

First and Second Interim Financial Reports provide the Board with a comprehensive review of the District budgets and is used to make appropriation adjustments as needed. In addition, the Board approves Resolutions to Budget for Grants and Awards throughout the fiscal year to account for new and/or revised allocations. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 78.)

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At June 30, 2019, the District had \$925,915,551 in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$3,245,359, or 0.3 percent, from last year.

**Table 5**

	Governmental Activities	
	2019	2018
Land and construction in process	\$ 228,084,531	\$ 266,629,691
Buildings and improvements, net of accumulated depreciation	690,234,282	656,614,308
Equipment, net of accumulated depreciation	7,596,738	5,916,911
Total	<u>\$ 925,915,551</u>	<u>\$ 929,160,910</u>

This year's equipment additions of \$3,008,154 included vehicles and technology upgrades.

We anticipate capital additions of approximately \$179,479,667 in 2019-2020.

The following construction projects continue for the 2019-2020 school year:

- Indio Middle School Modernization
- Madison Elementary School Modernization
- Kennedy Elementary School Modernization
- District Education Center Central Kitchen
- Roosevelt Interior Space
- District Wide Asphalt and Playground Project
- La Quinta High School Pool Deck Project

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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- Oliphant Elementary School Portables Project
- Ford Elementary School Modernization
- Monroe Elementary School Modernization
- Lincoln Elementary School Modernization

### *Long-Term Obligations*

The District has \$421,492,153 in General Obligation Bonds outstanding, an increase of \$92,815,139 from 2018.

The District also had \$40,035,915 in certificates of participation outstanding versus \$47,301,414 last year, a decrease of \$7,265,499, or 15.36 percent. Capitalized lease obligations, supplemental early retirement program, unpaid accumulated vacation, the incurred but not reported portion of workers' compensation open claims liabilities, and the net other postemployment benefits obligation are also included. We present more detailed information about our long-term obligations in Note 10 to the financial statements.

**Table 6**

	Governmental Activities	
	2019	2018
General obligation bonds	\$ 421,492,153	\$ 328,677,014
Certificates of participation	40,035,915	47,301,414
Capitalized lease obligations	2,585,937	5,094,609
Supplemental early retirement program	119,460	204,515
Accumulated vacation (net)	1,115,700	1,072,451
Aggregate net other postemployment benefits (OPEB) liability	88,096,902	81,632,364
Workers' compensation IBNR	14,867,040	11,128,875
Total	<u>\$ 568,313,107</u>	<u>\$ 475,111,242</u>

### *Net Pension Liability (NPL)*

As of June 30, 2019, the District has a net pension liability of \$348,132,193 versus \$337,632,420 last year, an increase of \$10,499,773, or 3.1 percent.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

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### *ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES*

In considering the District Budget for the 2019-2020 year, the District's Board and management has been working with School Services of California guidance to help navigate budget calculations related to the Local Control Funding Formula (LCFF).

The key assumptions in our revenue forecast are:

1. LCFF Revenue projections include a 3.26 percent COLA with a gap funding rate of 100 percent.
2. Enrollment was projected to decline by 0.23 percent.
3. Prior Year Average Daily Attendance is utilized for the LCFF revenue projections.
4. Supplemental and Concentration funding is based on a projected rolling average of 71.56 percent unduplicated student population.

Expenditures are based on the following forecasts for regular education students:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Kindergarten through three	24:1	7,522
Grades four through five	30:1	33,470
Grades six through eight	31:1	5,267
Grades nine through twelve	32:1	8,924

The major changes to expenditure items specifically addressed in the budget are:

1. Employee step and column increases.
2. Increase in retirement contributions for CalSTRS and CalPERS.
3. Adjustments based on grant allocation ending in prior fiscal year.

### *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 Assistant Superintendent, Business Services at Desert Sands Unified School District, 47-950 Dune Palms Road, La Quinta, California, 92253, or you can e-mail your question to [jordan.aquino@desertsands.us](mailto:jordan.aquino@desertsands.us).

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2019

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 315,994,952
Receivables	17,171,092
Prepaid expenditures	197,364
Stores inventories	491,467
Construction receivable	
Current portion of construction receivables	147,260
Noncurrent portion of construction receivables	2,650,690
Total Construction receivables	<u>2,797,950</u>
Capital assets	
Land and construction in process	228,084,531
Other capital assets	1,007,116,763
Less: Accumulated depreciation	<u>(309,305,743)</u>
Total Capital Assets	<u>925,895,551</u>
<b>Total Assets</b>	<u><b>1,262,548,376</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	11,714,741
Deferred outflows of resources related to net other post employment benefits (OPEB) liability	1,759,364
Deferred outflows of resources related to pensions	<u>103,071,107</u>
<b>Total Deferred Outflows of Resources</b>	<u><b>116,545,212</b></u>
<b>LIABILITIES</b>	
Accounts payable	29,621,610
Interest payable	6,178,948
Unearned revenue	884,668
Long-term obligations	
Current portion of long-term obligations other than pensions	26,286,283
Noncurrent portion of long-term obligations other than pensions	<u>542,026,824</u>
Total Long-Term Obligations	<u>568,313,107</u>
Aggregate net pension liability	<u>348,132,193</u>
<b>Total Liabilities</b>	<u><b>953,130,526</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	<u>17,662,010</u>
<b>NET POSITION</b>	
Net investment in capital assets	587,606,750
Restricted for:	
Debt service	40,306,094
Capital projects	3,442,064
Educational programs	10,837,283
Other activities	1,073,853
Unrestricted (Deficit)	<u>(234,964,992)</u>
<b>Total Net Position</b>	<u><b>\$ 408,301,052</b></u>

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

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 258,014,048	\$ 2,156,978	\$ 39,261,324	\$ 17,714,281	\$ (198,881,465)
Instruction-related activities:					
Supervision of instruction	18,231,873	183,542	7,147,212	-	(10,901,119)
Instructional library, media, and technology	5,532,298	9	131,169	-	(5,401,120)
School site administration	26,380,500	2,264	717,016	-	(25,661,220)
Pupil services:					
Home-to-school transportation	10,839,470	107,065	188,456	-	(10,543,949)
Food services	14,806,684	1,439,289	11,192,100	-	(2,175,295)
All other pupil services	24,349,953	213,562	4,133,359	-	(20,003,032)
Administration:					
Data processing	5,582,201	29,105	45,094	-	(5,508,002)
All other administration	14,397,283	4,513	1,062,188	-	(13,330,582)
Plant services	33,437,201	161,738	296,744	-	(32,978,719)
Ancillary services	4,998,411	1,893	1,748,983	-	(3,247,535)
Community services	20,152	-	20,718	-	566
Enterprise services	1,068,111	58,173	49,213	-	(960,725)
Interest on long-term obligations	13,584,384	-	-	-	(13,584,384)
Other outgo	1,571,607	2,625,567	2,256,500	-	3,310,460
<b>Total Governmental Activities</b>	<b>\$ 432,814,176</b>	<b>\$ 6,983,698</b>	<b>\$ 68,250,076</b>	<b>\$ 17,714,281</b>	<b>(339,866,121)</b>
General Revenues and Subventions:					
Property taxes, levied for general purposes					92,136,379
Property taxes, levied for debt service					30,552,336
Property taxes levied for other specific purposes					22,419,149
Federal and State aid not restricted to specific purposes					198,384,148
Interest and investment earnings					1,601,665
Interagency revenues					687,265
Premiums related to bond issuance					8,807,058
Miscellaneous					7,799,206
<b>Subtotal, General Revenues</b>					<b>362,387,206</b>
<b>Change in Net Position</b>					<b>22,521,085</b>
<b>Net Position - Beginning</b>					<b>385,779,967</b>
<b>Net Position - Ending</b>					<b>\$ 408,301,052</b>

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

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2019

	<b>General Fund</b>	<b>Building Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>
<b>ASSETS</b>			
Deposits and investments	\$ 61,821,692	\$ 114,310,150	\$ 41,518,526
Receivables	13,677,335	730,320	213,013
Due from other funds	6,355,192	-	-
Prepaid expenditures	174,733	-	-
Stores inventories	317,480	-	-
<b>Total Assets</b>	<b>\$ 82,346,432</b>	<b>\$ 115,040,470</b>	<b>\$ 41,731,539</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 27,472,953	\$ 1,172,230	\$ 4,958
Due to other funds	1,844,596	-	-
Unearned revenue	846,836	-	-
<b>Total Liabilities</b>	<b>30,164,385</b>	<b>1,172,230</b>	<b>4,958</b>
<b>Fund Balances:</b>			
Nonspendable	517,213	-	-
Restricted	10,837,283	113,868,240	-
Committed	14,405,368	-	-
Assigned	3,260,623	-	41,726,581
Unassigned	23,161,560	-	-
<b>Total Fund Balances</b>	<b>52,182,047</b>	<b>113,868,240</b>	<b>41,726,581</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 82,346,432</b>	<b>\$ 115,040,470</b>	<b>\$ 41,731,539</b>

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

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<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 46,484,172	\$ 20,974,500	\$ 285,109,040
-	2,351,977	16,972,645
-	1,828,032	8,183,224
-	22,631	197,364
-	173,987	491,467
<u>\$ 46,484,172</u>	<u>\$ 25,351,127</u>	<u>\$ 310,953,740</u>

\$ -	\$ 884,885	\$ 29,535,026
-	6,358,285	8,202,881
-	37,832	884,668
<u>-</u>	<u>7,281,002</u>	<u>38,622,575</u>
-	361,618	878,831
46,484,172	4,759,010	175,948,705
-	67,424	14,472,792
-	12,882,073	57,869,277
-	-	23,161,560
<u>46,484,172</u>	<u>18,070,125</u>	<u>272,331,165</u>
<u>\$ 46,484,172</u>	<u>\$ 25,351,127</u>	<u>\$ 310,953,740</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

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

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 272,331,165</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position is Different Because:</b>		
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:	\$ 1,235,201,294	
Accumulated depreciation is:	<u>(309,305,743)</u>	
Net Capital Assets		925,895,551
Revenues related to construction reimbursements received were recognized on the modified accrual basis, but are not recognized on the accrual basis		2,797,950
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.		11,714,741
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.		(6,178,948)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program and retiree benefits to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		16,150,392
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	33,963,260	
Net change in proportionate share of net pension liability	12,353,546	
Difference between projected and actual earning on pension plan investments	861,603	
Differences between expected and actual experience in the measurement of the total pension liability	7,640,156	
Changes of assumptions	<u>48,252,542</u>	
Total Deferred Outflows of Resources Related to Pensions		103,071,107

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



## DESERT SANDS UNIFIED SCHOOL DISTRICT

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

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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	\$	(4,770,631)	
Difference between expected and actual experience in the measurement of the total pension liability		(3,530,978)	
Difference between projected and actual earning on pension plan investments		<u>(9,360,401)</u>	
Total Deferred Inflows of Resources Related to Pensions			\$ (17,662,010)

Deferred outflows of resources related to OPEB represents 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 changes of assumptions.

1,759,364

Net pension liability is not due and payable in the current period and, is not reported as a liability in the funds.

(348,132,193)

Long-term obligations 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	381,670,000	
Unamortized premium on issuance	42,858,068	
Certificates of participation	37,000,000	
Supplemental early retirement program	119,460	
Capital leases payable	2,585,937	
Compensated absences (vacations)	1,115,700	
Aggregate net other postemployment benefits (OPEB) liability	<u>88,096,902</u>	
Total Long-Term Obligations		(553,446,067)
<b>Total Net Position - Governmental Activities</b>		<u><u>\$ 408,301,052</u></u>

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

# DESERT SANDS 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	Special Reserve Fund for Capital Outlay Projects
<b>REVENUES</b>			
Local Control Funding Formula	\$ 260,522,600	\$ -	\$ -
Federal sources	19,206,588	-	-
Other State sources	43,731,188	-	-
Other local sources	43,246,825	1,241,269	791,252
<b>Total Revenues</b>	<b>366,707,201</b>	<b>1,241,269</b>	<b>791,252</b>
<b>EXPENDITURES</b>			
Current			
Instruction	212,665,441	-	-
Instruction-related activities:			
Supervision of instruction	17,393,984	-	-
Instructional library, media, and technology	5,079,730	-	-
School site administration	23,031,021	-	-
Pupil services:			
Home-to-school transportation	10,032,956	-	-
Food services	512,171	-	-
All other pupil services	22,570,138	-	-
Administration:			
Data processing	4,971,842	-	-
All other administration	12,837,198	-	-
Plant services	32,735,953	762,361	380,389
Ancillary services	4,889,045	-	-
Community services	20,009	-	-
Other outgo	209,645	-	-
Enterprise services	20,707	-	-
Facility acquisition and construction	1,266,070	7,157,073	615,804
Debt service			
Principal	2,508,672	-	-
Interest and other	250,722	665,000	6,420
<b>Total Expenditures</b>	<b>350,995,304</b>	<b>8,584,434</b>	<b>1,002,613</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>15,711,897</b>	<b>(7,343,165)</b>	<b>(211,361)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	26,258,863
Other sources	-	100,000,000	-
Transfers out	(9,755,914)	-	(8,538,214)
<b>Net Financing Sources (Uses)</b>	<b>(9,755,914)</b>	<b>100,000,000</b>	<b>17,720,649</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>5,955,983</b>	<b>92,656,835</b>	<b>17,509,288</b>
<b>Fund Balances - Beginning</b>	<b>46,226,064</b>	<b>21,211,405</b>	<b>24,217,293</b>
<b>Fund Balances - Ending</b>	<b>\$ 52,182,047</b>	<b>\$ 113,868,240</b>	<b>\$ 41,726,581</b>

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

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<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 18,437,841	\$ 278,960,441
-	11,008,035	30,214,623
155,509	22,003,117	65,889,814
31,083,298	6,330,271	82,692,915
<u>31,238,807</u>	<u>57,779,264</u>	<u>457,757,793</u>
-	15,779,370	228,444,811
-	84,876	17,478,860
-	238,456	5,318,186
-	2,199,244	25,230,265
-	383,665	10,416,621
-	13,771,341	14,283,512
-	804,114	23,374,252
-	406,078	5,377,920
-	603,273	13,440,471
-	1,297,016	35,175,719
-	-	4,889,045
-	-	20,009
-	-	209,645
-	1,021,598	1,042,305
-	6,075,043	15,113,990
13,225,000	6,550,000	22,283,672
12,901,015	1,994,581	15,817,738
<u>26,126,015</u>	<u>51,208,655</u>	<u>437,917,021</u>
<u>5,112,792</u>	<u>6,570,609</u>	<u>19,840,772</u>
-	9,749,546	36,008,409
8,807,058	-	108,807,058
-	(17,714,281)	(36,008,409)
<u>8,807,058</u>	<u>(7,964,735)</u>	<u>108,807,058</u>
13,919,850	(1,394,126)	128,647,830
32,564,322	19,464,251	143,683,335
<u>\$ 46,484,172</u>	<u>\$ 18,070,125</u>	<u>\$ 272,331,165</u>

# DESERT SANDS 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

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**Total Net Change in Fund Balances - Governmental Funds** **\$ 128,647,830**

**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 depreciation exceeds capital outlay in the period.

Depreciation expense	(21,367,505)	
Capital outlay	<u>\$ 18,102,146</u>	
Net Expense Adjustment		(3,265,359)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits earned was less than amounts used by \$85,055.

Vacation used was less than amounts earned by \$43,249. 41,806

Capital outlay used for interim housing are reported in the governmental funds as expenditures, however, due to the agreement with the city those costs are shown in the Statement of Net Position as construction receivables.

2,945,210

Receipts received from construction receivables is revenue in the governmental funds, but it reduces construction receivable in the Statement of Net Position.

(147,260)

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.

(18,248,002)

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 and net OPEB liability during the year.

(4,705,174)

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

Sale of general obligation bonds (100,000,000)

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

# DESERT SANDS UNIFIED SCHOOL DISTRICT

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

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Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:

Premium on issuance	\$ (8,807,058)
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Repayment of general obligation bonds, certificates of participation, special tax bonds and capital lease 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	\$ 13,225,000	
Certificates of participation	6,550,000	
Capital lease obligations	<u>2,508,672</u>	
Combined Adjustment		22,283,672

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	3,482,418	
Amortization of deferred amount on refunding	<u>(1,361,962)</u>	
Combined Adjustment		2,120,456

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of accrued interest on the general obligation bonds, and certificates of participation which increased by \$1,249,064.

(1,249,064)

An Internal Service Fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

2,904,028

**Change in Net Position of Governmental Activities**

\$ 22,521,085

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

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUND STATEMENT OF NET POSITION JUNE 30, 2019

	Internal Service Fund		
	Workers' Compensation	Retiree Benefits	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 19,558,294	\$ 11,327,618	\$ 30,885,912
Receivables	186,566	11,881	198,447
Due from other funds	13,947	6,100	20,047
<b>Total Current Assets</b>	<b>19,758,807</b>	<b>11,345,599</b>	<b>31,104,406</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	80,337	6,247	86,584
Due to other funds	390	-	390
<b>Total Current Liabilities</b>	<b>80,727</b>	<b>6,247</b>	<b>86,974</b>
<b>Noncurrent Liabilities</b>			
Claims liability - current portion	2,357,126		
Claims liability - noncurrent portion	12,509,914	-	14,867,040
<b>Total Liabilities</b>	<b>14,947,767</b>	<b>6,247</b>	<b>14,954,014</b>
<b>NET POSITION</b>			
Unrestricted	4,811,040	11,339,352	16,150,392
<b>Total Net Position</b>	<b>\$ 4,811,040</b>	<b>\$ 11,339,352</b>	<b>\$ 16,150,392</b>

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

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUND

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES

#### IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	Internal Service Fund		
	Workers' Compensation	Retiree Benefits	Total
<b>OPERATING REVENUES</b>			
Charges to other funds	\$ 4,586,636	\$ 4,909,629	\$ 9,496,265
<b>OPERATING EXPENSES</b>			
Payroll costs	401,799	-	401,799
Professional and contract services	4,351,655	2,449,412	6,801,067
Supplies and materials	7,646	-	7,646
<b>Total Operating Expenses</b>	<b>4,761,100</b>	<b>2,449,412</b>	<b>7,210,512</b>
<b>Operating Income</b>	<b>(174,464)</b>	<b>2,460,217</b>	<b>2,285,753</b>
<b>NON-OPERATING REVENUES</b>			
Interest income	618,275	-	618,275
<b>Change in Net Position</b>	<b>443,811</b>	<b>2,460,217</b>	<b>2,904,028</b>
<b>Net Position - Beginning</b>	<b>4,367,229</b>	<b>8,879,135</b>	<b>13,246,364</b>
<b>Net Position - Ending</b>	<b>\$ 4,811,040</b>	<b>\$ 11,339,352</b>	<b>\$ 16,150,392</b>

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

# DESERT SANDS UNIFIED SCHOOL DISTRICT

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

	Governmental Activities Internal Service Fund <u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from interfund services provided	\$ 9,492,121
Cash payments to other suppliers of goods or services	(5,444,525)
Cash payments to employees for services	(409,445)
Net Cash Provided by Operating Activities	<u>3,638,151</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on investments	<u>530,105</u>
Net Increase in Cash and Cash Equivalents	4,168,256
Cash and Cash Equivalents - Beginning	<u>26,717,656</u>
Cash and Cash Equivalents - Ending	<u>\$ 30,885,912</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 2,285,753
Adjustments to reconcile operating income to net cash provided by operating activities:	
Due from other funds	(4,144)
Accounts payable	61,489
Due to other funds	(3,281)
Claims liability	1,298,334
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 3,638,151</u>

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



# DESERT SANDS UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2019

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	<b>Debt Service Fund for Special Tax Bonds</b>	<b>Associated Student Bodies</b>	<b>Total Fiduciary Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 339,049	\$ 1,586,344	\$ 1,925,393
Stores inventories	-	18,841	18,841
<b>Total Assets</b>	<u><u>\$ 339,049</u></u>	<u><u>\$ 1,605,185</u></u>	<u><u>\$ 1,944,234</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 652	\$ 652
Due to student groups	-	1,604,533	1,604,533
Due to bond holders	339,049	-	339,049
<b>Total Liabilities</b>	<u><u>\$ 339,049</u></u>	<u><u>\$ 1,605,185</u></u>	<u><u>\$ 1,944,234</u></u>

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

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Desert Sands Unified School District (the District) was unified on July 1, 1966, 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 K-12 as mandated by the State and/or Federal agencies. The District operates nineteen elementary schools, six middle schools, four high schools, two continuation high schools, one alternative education school, and two charter schools.

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 Desert Sands 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 include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 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 benefit of the District.

The Desert Sands Unified School District Building Corporation's (the Corporation) financial activity is presented in the financial statements as the Building Corporation Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements of the Desert Sands Unified School District Building Corporation may be obtained through the business office of the District.

The Desert Sands Unified School District Community Facilities District No. 1 (CFD) financial activity is presented in the Fiduciary Fund Statements as the Debt Service Fund for Special Tax Bonds and in the financial statements as the Capital Project Fund for Blended Component Units. Special Tax Bonds issued by the CFD are not included in the long-term obligations of the Statement of Net Position as they are not obligations of the District. Individually prepared financial statements are not prepared for the Community Facilities District No. 1.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Other Related Entities

**Charter School** The District has approved Charters for George Washington Charter School and Palm Desert Charter Middle School pursuant to *Education Code* Section 47605. The George Washington Charter School and Palm Desert Charter Middle School are District conversion charters, and their financial activities are presented in the Charter School Special Revenue Fund.

### 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 17, Special Reserve Fund for Other Than Capital Outlay Projects, 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 \$1,574,984.

**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.

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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.

**Charter School Fund** The Charter School Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing district's General 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).

**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).

**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 *Government 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).

**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 1A), 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.).

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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**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).

**Building Corporation Fund** The Building Corporation Fund is used to account for Capital Improvements and for the interest and redemption of principal for the 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. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

**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 Self-Insurance program for workers' compensation services and retiree benefits that are 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.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. 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 funds account for the accumulation of resources for the payment of the principal and interest on the Special Tax Bonds (Debt Service Fund for Special Tax Bonds) issued by the Community Facilities Districts as well as the associated student body activities (ASB).

### **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.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function, and exclude fiduciary activity. 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 in the preparation of the government-wide Statement of Activities to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position use 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 net position use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major 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 a 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Proprietary Funds** Proprietary funds are accounted for using a 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.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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**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 90 days. However to achieve comparability of reporting among California District's 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 District's as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year end: State apportionments, interest, certain grants, and other local sources.

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

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

Certain grants received 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 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.

# **DESERT SANDS UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **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 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 weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type 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. General 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 financial statement of net position. The valuation basis for general capital assets are 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 of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 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.



# **DESERT SANDS UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **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 certified 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 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 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 long-term loans are recognized liabilities in the fund 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, or 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.

### **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, and OPEB related items.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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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.

### 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.

# **DESERT SANDS UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **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**

In fiscal year 2018-2019, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-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 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 \$55,659,294 of restricted net position.

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. 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 non-operating 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 on the financial statements.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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 Riverside 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.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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 No. 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.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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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	\$ 315,994,952
Fiduciary funds	<u>1,925,393</u>
Total Deposits and Investments	<u><u>\$ 317,920,345</u></u>

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

Cash on hand and in banks	\$ 1,887,214
Cash in revolving	190,000
Investments	<u>315,843,131</u>
Total Deposits and Investments	<u><u>\$ 317,920,345</u></u>



# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Policies and Practices

The District is authorized under California Government Code 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

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
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

### 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 not have a formal investment policy 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 primarily investing in the Riverside County Investment Pool.

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Reported Amount	Weighted Average Maturity in Days
U.S. Treasuries	\$ 339,049	27
Riverside County Investment Pool	315,504,082	387
Total	<u>\$ 315,843,131</u>	

### 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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year end for each investment type.

Investment Type	Minimum Legal Rating	Moody's Rating June 30, 2019	Reported Amount
Money Market - Treasury Obligations	Not Required	Aaa-mf	\$ 339,049
Riverside County Investment Pool	Not Required	Aaa-bf	315,504,082
Total Investments			<u>\$ 315,843,131</u>

# **DESERT SANDS UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **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 \$1,778,648 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 Riverside 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.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

Investment Type	Reported Amount	Uncategorized
Riverside County Investment Pool	\$ 315,504,082	\$ 315,504,082

### 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	Special Reserve Fund For Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government						
Categorical aid	\$ 6,554,010	\$ -	\$ -	\$ 1,687,812	\$ -	\$ 8,241,822
State Government						
Local Control						
Funding Formula	2,477	-	-	-	-	2,477
Categorical aid	3,421,294	-	-	232,841	-	3,654,135
Lottery	1,244,936	-	-	107,314	-	1,352,250
Local Government						
Interest	380,164	730,320	213,013	131,848	186,566	1,641,911
Other Local Sources	2,074,454	-	-	192,162	11,881	2,278,497
Total	<u>\$ 13,677,335</u>	<u>\$ 730,320</u>	<u>\$ 213,013</u>	<u>\$ 2,351,977</u>	<u>\$ 198,447</u>	<u>\$ 17,171,092</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### NOTE 5 - CONSTRUCTION RECEIVABLES

The District and the City of Indio entered into an agreement in which both parties will share equally the costs of Interim Housing required by the rebuilding of Indio High School. The City shall pay its one-half share of Interim Housing Costs to the District in equal annual payments over the course of twenty years, with annual payments thereafter due July 1 of each year until paid in full. The District's construction receivable is summarized below.

	Construction Receivable
Balance, July 1, 2018	\$ -
Additions	2,945,210
Payments	147,260
Balance, June 30, 2019	<u>\$ 2,797,950</u>

Fiscal Year	Revenue Payments
2020	\$ 147,260
2021	147,260
2022	147,260
2023	147,260
2024	147,260
2025-2029	736,302
2030-2034	736,302
2035-2038	589,046
Total	<u>\$ 2,797,950</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### NOTE 6 - 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
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 42,866,791	\$ -	\$ -	\$ 42,866,791
Construction in process	223,762,900	14,665,726	53,210,886	185,217,740
Total Capital Assets				
Not Being Depreciated	266,629,691	14,665,726	53,210,886	228,084,531
Capital Assets Being Depreciated				
Buildings	797,779,326	53,210,886	-	850,990,212
Building improvements	121,375,697	448,266	-	121,823,963
Equipment	31,902,675	3,008,154	588,241	34,322,588
Total Capital Assets				
Being Depreciated	951,057,698	56,667,306	588,241	1,007,136,763
Less Accumulated Depreciation				
Buildings	195,920,600	15,932,917	-	211,853,517
Building improvements	66,620,115	4,106,261	-	70,726,376
Equipment	25,985,764	1,328,327	588,241	26,725,850
Total Accumulated Depreciation	288,526,479	21,367,505	588,241	309,305,743
Governmental Activities				
Capital Assets, Net	\$ 929,160,910	\$ 49,965,527	\$ 53,210,886	\$ 925,915,551

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 20,323,855
Supervision of instruction	62,115
Instructional library, media, and technology	20,897
Home-to-school transportation	74,294
Food services	119,300
Data processing	75,133
All other administration	518,281
Plant services	173,630
Total Depreciation Expenses All Activities	\$ 21,367,505

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### NOTE 7 - 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, and internal service funds are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 6,355,192	\$ -	\$ 6,355,192
Non-Major Governmental Funds	1,825,783	1,859	390	1,828,032
Internal Service Fund	18,813	1,234	-	20,047
Total	<u>\$ 1,844,596</u>	<u>\$ 6,358,285</u>	<u>\$ 390</u>	<u>\$ 8,203,271</u>

A balance of \$323,554 is due to the General Fund from the Child Development Non-Major Governmental Fund for contribution and interest.

A balance of \$3,012,140 is due to the General Fund from the Charter School Non-Major Governmental Fund for indirect costs, special education encroachment, and transportation costs.

A balance of \$578,736 is due to the Charter School Non-Major Governmental Fund from the General Fund for in lieu property taxes and LCFF floor adjustment.

A balance of \$3,017,885 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for the repayment of a temporary loan.

A balance of \$1,166,593 is due to the Cafeteria Non-Major Governmental Fund from the General Fund for 2018-2019 contribution.

All remaining balances 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.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### Operating Transfers

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

Transfer To	Transfer From			Total
	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	
Special Reserve Fund for Capital Outlay Projects	\$ 8,544,582	\$ -	17,714,281	\$ 26,258,863
Non-Major Governmental Funds	1,211,332	8,538,214	-	9,749,546
Total	<u>\$ 9,755,914</u>	<u>\$ 8,538,214</u>	<u>\$ 17,714,281</u>	<u>\$ 36,008,409</u>

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for redevelopment pass-through. \$ 8,544,582

The General Fund transferred to the Child Development Non-Major Governmental Fund for current year contribution. 33,014

The General Fund transferred to the Cafeteria Non-Major Governmental Fund for District contributions. 1,178,318

The County School Facilities Non-Major Governmental Fund transferred to Special Reserve Fund for Capital Outlay Projects for the State School Facilities Funds. 17,714,281

The Special Reserve Fund for Capital Outlay Projects transferred to the Building Corporation Non-Major Governmental Fund for Certificates of Participation debt service payments. 8,538,214

Total \$ 36,008,409

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### NOTE 8 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Special Reserve Fund For Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund
Vendor payables	\$ 7,910,917	\$ -	\$ 4,958	\$ 302,637	\$ 80,704
State principal apportionment	18,825,360	-	-	158,956	-
Salaries and benefits	736,676	-	-	47,651	5,880
Construction	-	1,172,230	-	375,641	-
Total	<u>\$ 27,472,953</u>	<u>\$ 1,172,230</u>	<u>\$ 4,958</u>	<u>\$ 884,885</u>	<u>\$ 86,584</u>

	Total Governmental Activities	Fiduciary Funds
Vendor payables	\$ 8,299,216	\$ 652
State principal apportionment	18,984,316	-
Salaries and benefits	790,207	-
Construction	1,547,871	-
Total	<u>\$ 29,621,610</u>	<u>\$ 652</u>

### NOTE 9 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 140,279	\$ -	\$ 140,279
State categorical aid	706,557	37,832	744,389
Total	<u>\$ 846,836</u>	<u>\$ 37,832</u>	<u>\$ 884,668</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### NOTE 10 - 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	\$ 294,895,000	\$ 100,000,000	\$ 13,225,000	\$ 381,670,000	\$ 14,440,000
Premium on Issuance	33,782,014	8,807,058	2,766,919	39,822,153	-
Certificates of Participation	43,550,000	-	6,550,000	37,000,000	6,845,000
Premium on Issuance	3,751,414	-	715,499	3,035,915	-
Capital leases	5,094,609	-	2,508,672	2,585,937	2,585,937
Supplemental Early Retirement Program	204,515	-	85,055	119,460	58,220
Compensated absences (vacations)	1,072,451	43,249	-	1,115,700	-
Net OPEB Liability	81,632,364	6,645,893	181,355	88,096,902	-
Claims Liability	11,128,875	3,738,165	-	14,867,040	2,357,126
	<u>\$ 475,111,242</u>	<u>\$ 119,234,365</u>	<u>\$ 26,032,500</u>	<u>\$ 568,313,107</u>	<u>\$ 26,286,283</u>

Payments for bonds associated with general obligation bonds are made in the Bond Interest and Redemption Fund. Payments on certificates of participation are made in the Building Corporation Fund. Payments for capital lease obligations are made in the General Fund and Special Reserve Fund for Capital Outlay Projects. Payments for the supplemental early retirement program are made in the General Fund. Payments for compensated absences (vacations) and Net Other Postemployment Benefits (OPEB) Liability are typically liquidated in the General Fund. Payments for claims liability are made from the Self-Insurance Internal Service 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	Issued	Redeemed	Bonds Outstanding June 30, 2019	Due in One Year
11/01/08	08/01/18	4.00%-5.75%	\$ 100,000,000	\$ 5,220,000	\$ -	\$ 5,220,000	\$ -	\$ -
12/01/12	08/01/31	3.00%-5.00%	74,000,000	69,055,000	-	3,805,000	65,250,000	3,960,000
06/01/13	06/01/31	3.00%-5.00%	52,355,000	52,355,000	-	-	52,355,000	3,545,000
06/01/13	06/01/22	1.10%-3.00%	9,900,000	6,155,000	-	1,975,000	4,180,000	-
07/01/15	08/01/44	2.00%-5.00%	75,000,000	60,000,000	-	1,140,000	58,860,000	1,185,000
07/01/15	08/01/28	2.00%-5.00%	84,640,000	82,530,000	-	-	82,530,000	5,750,000
04/01/16	06/01/31	2.00%-5.00%	21,940,000	19,580,000	-	1,085,000	18,495,000	-
02/27/19	08/01/44	3.00%-5.00%	100,000,000	-	100,000,000	-	100,000,000	-
				<u>\$ 294,895,000</u>	<u>\$ 100,000,000</u>	<u>\$ 13,225,000</u>	<u>\$ 381,670,000</u>	<u>\$ 14,440,000</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Debt Service Requirements to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2020	\$ 14,440,000	\$ 16,422,100	\$ 30,862,100
2021	18,760,000	16,025,589	34,785,589
2022	18,395,000	15,275,105	33,670,105
2023	17,920,000	14,442,600	32,362,600
2024	19,275,000	13,595,150	32,870,150
2025-2029	118,245,000	53,064,288	171,309,288
2030-2034	61,520,000	30,622,025	92,142,025
2035-2039	39,620,000	20,749,450	60,369,450
2040-2044	58,940,000	9,583,500	68,523,500
2045	14,555,000	291,100	14,846,100
Total	<u>\$ 381,670,000</u>	<u>\$ 190,070,907</u>	<u>\$ 571,740,907</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### General Obligation Bonds

#### 2012 General Obligation Bonds

In December 2012, the District issued \$74,000,000 in Election of 2001, 2012 Series General Obligation Bonds. Proceeds from the Bonds were used to finance the construction, renovation, and repair of District facilities as specified by voters of the District. The Bonds mature August 1, 2031, with interest rates ranging from 3.00 percent to 5.00 percent.

\$ 65,250,000

#### 2013 General Obligation Refunding Bonds, Series A

In June 2013, the District issued \$52,355,000 in 2013 General Obligation Refunding Bonds, Series A. Proceeds from the Bonds were used to advance refund a portion of the District's outstanding General Obligation Bonds, Election 2001, Series 2006. The Bonds mature June 1, 2031, with interest rates ranging from 3.00 percent to 5.00 percent.

52,355,000

#### 2013 General Obligation Refunding Bonds, Series B

In June 2013, the District issued \$9,900,000 in 2013 General Obligation Refunding Bonds, Series B. Proceeds from the Bonds were used to advance refund a portion of the District's outstanding General Obligation Bonds, Election 2001, Series 2006. The Bonds mature June 1, 2022, with interest rates ranging from 1.10 percent to 3.00 percent.

4,180,000

#### 2014 General Obligation Bonds, Series 2015

In July 2015, the District issued \$75,000,000 in 2014 General Obligation Bonds, Series 2015. Proceeds from the Bonds were used to finance the acquisition, construction, modernization, and equipping of District sites and facilities. The Bonds mature August 1, 2044, with interest rates ranging from 2.00 percent to 5.00 percent.

58,860,000

#### 2015 General Obligation Refunding Bonds

In July 2015, the District issued \$84,640,000 in 2015 General Obligation Refunding Bonds. Proceeds from the Bonds were used to advance refund a portion of the District's outstanding General Obligation Bonds, Election 2001, Series 2008. The Bonds mature August 1, 2028, with interest rates ranging from 2.00 percent to 5.00 percent. The refunding resulted in a cumulative cash flow savings of \$7,804,721 over the life of the new debt and an economic gain of \$6,481,246 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 7.71 percent.

82,530,000

#### 2016 General Obligation Refunding Bonds

In April 2016, the District issued \$21,940,000 in 2016 General Obligation Refunding Bonds. Proceeds from the Bonds were used to currently refund a portion of the District's remaining outstanding General Obligation Bonds, Election 2001, Series 2006. The Bonds mature June 1, 2031, with interest rates ranging from 2.00 percent to 5.00 percent. The refunding resulted in a cumulative cash flow savings of \$6,658,298 over the life of the new debt and an economic gain of \$5,429,510 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 21.74 percent.

18,495,000

#### 2014 General Obligation Bonds, Series 2019

In February 2019, the District issued \$100,000,000 in 2014 General Obligation Bonds, Series 2019. Proceeds from the Bonds were used to finance the acquisition, construction, modernization, and equipping of District sites and facilities. The Bonds mature August 1, 2044, with interest rates ranging from 3.00 percent to 5.00 percent.

100,000,000

Subtotal bonds outstanding 381,670,000

Premium on 2012 General Obligation Bonds	5,044,438
Premium on 2013 General Obligation Refunding Bonds, Series A	6,872,412
Premium on 2013 General Obligation Refunding Bonds, Series B	6,780,852
Premium on 2015 General Obligation Refunding Bonds	9,290,110
Premium on 2016 General Obligation Refunding Bonds	3,027,283
Premium on 2014 General Obligation Bonds, Series 2019	<u>8,807,058</u>

Subtotal premium on bonds 39,822,153  
\$ 421,492,153

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Certificates of Participation

The outstanding certificates of participation debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Redeemed	Bonds Outstanding June 30, 2019	Due in One Year
12/01/12	03/01/20	0.60%-2.00%	\$ 13,000,000	\$ 3,690,000	\$ 1,795,000	\$ 1,895,000	\$ 1,895,000
06/01/14	03/01/29	3.00%-3.50%	18,895,000	15,180,000	1,100,000	14,080,000	1,145,000
07/01/15	03/01/24	2.00%-5.00%	25,340,000	24,680,000	3,655,000	21,025,000	3,805,000
				<u>\$ 43,550,000</u>	<u>\$ 6,550,000</u>	<u>\$ 37,000,000</u>	<u>\$ 6,845,000</u>

### Debt Service Requirements to Maturity

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 6,845,000	\$ 1,714,631	\$ 8,559,631
2021	5,195,000	1,372,381	6,567,381
2022	5,455,000	1,112,631	6,567,631
2023	5,720,000	848,481	6,568,481
2024	6,010,000	562,481	6,572,481
2025-2029	7,775,000	792,658	8,567,658
Total	<u>\$ 37,000,000</u>	<u>\$ 6,403,263</u>	<u>\$ 43,403,263</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Certificates of Participation

#### 2012 Refunding Certificates of Participation

In December 2012, the Corporation issued \$13,000,000 in Refunding Certificates of Participation. Proceeds from the certificates were used to prepay the remaining 2002 and 2003 Refunding Certificates of Participation. The Certificates of Participation mature in 2020, with interest rates ranging from 0.60 percent to 2.00 percent.

\$ 1,895,000

#### 2014 Certificates of Participation

In June 2014, the Corporation issued \$18,895,000 in 2014 Certificates of Participation. Proceeds from the certificates were used to finance certain capital improvements of the District. The Certificates of Participation mature in 2029, with interest rates ranging from 3.00 percent to 3.50 percent.

14,080,000

#### 2015 Refunding Certificates of Participation

In July 2015, the Corporation issued \$25,340,000 in Refunding Certificates of Participation. Proceeds from the certificates were used to refund a portion of the District's Certificate of Participation (2008 Financing Project). The Certificates of Participation mature in 2024, with interest rates ranging from 2.00 percent to 5.00 percent. The refunding resulted in a cumulative cash flow savings of \$1,225,374 over the life of the new debt and an economic gain of \$1,103,306 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 4.45 percent.

21,025,000

Subtotal bonds outstanding

37,000,000

Premium on 2012 Refunding Certificates of Participation

115,354

Premium on 2014 Certificates of Participation

948,066

Premium on 2015 Refunding Certificates of Participation

1,972,495

Subtotal premium on bonds

3,035,915

\$ 40,035,915

### Capital Leases

The District has entered into agreements to lease various 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:

	General Fund
Balance, July 1, 2018	\$ 5,222,231
Payments	2,597,635
Balance, June 30, 2019	<u>\$ 2,624,596</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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Capital lease payment schedule as of June 30, 2019, is as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2020	\$ 2,624,596
Less: Amount Representing Interest	38,659
Present Value of Minimum Lease Payments	<u>\$ 2,585,937</u>

### Supplemental Early Retirement Program

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 401A of the Internal Revenue Code. The retiree receives an annual benefit payment in five equal installments. Currently, there are 184 employees participating in this plan, and the District's obligation to those retirees as of June 30, 2019, is \$119,460.

Future payments are as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2020	\$ 58,220
2021	30,621
2022	30,619
Total	<u>\$ 119,460</u>

### Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$1,115,700.

### Claims Liabilities

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amounts of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding liability at June 30, 2019, amounted to \$14,867,040.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Net Other Postemployment Benefits (OPEB) Liability

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	\$ 86,279,756	\$ 1,759,364	\$ 4,886,529
Medicare Premium Payment (MPP) Program	1,817,146	-	(181,355)
Total	<u>\$ 88,096,902</u>	<u>\$ 1,759,364</u>	<u>\$ 4,705,174</u>

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 4 of GASB Statement No. 75.

#### *Plan Membership*

At June 30, 2019, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	198
Active employees	2,393
	<u>2,591</u>

#### *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.

#### *Contributions*

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Desert Sands Teachers Association (DSTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, DSTA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District contributed \$3,626,047 to the Plan which was used for current premiums.



# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Total OPEB Liability of the District

The District's total OPEB liability of \$86,279,756 was measured as of June 30, 2019, and the total OPEB liability was determined by an actuarial valuation as of that date.

#### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, 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	3.5 percent, net of expenses
Health care cost trend rates	4 percent for 2019

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, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

### Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 79,633,863
Service cost	5,534,899
Interest	2,820,590
Changes of assumptions or other inputs	1,916,451
Benefit payments	(3,626,047)
Net change in total OPEB liability	6,645,893
Balance at June 30, 2019	<u>\$ 86,279,756</u>

Changes of assumptions reflect a change in the discount rate from 3.80 percent in 2018 to 3.50 percent in 2019.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### *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:

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.5%)	\$92,534,346
Current discount rate (3.5%)	86,279,756
1% increase (4.5%)	80,706,762

### *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 rate:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3%)	\$80,304,826
Current healthcare cost trend rate (4%)	86,279,756
1% increase (5%)	91,987,716

### **OPEB Expense and Deferred Outflows of Resources**

For the year ended June 30, 2019, the District recognized OPEB expense of \$4,886,529. At June 20, 2019, the District reported deferred outflows of resources for OPEB changes in assumptions of \$1,759,364.

	<u>Deferred Outflows of Resources</u>
Changes of assumptions	<u>\$ 1,759,364</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 157,087
2021	157,087
2022	157,087
2023	157,087
2024	157,087
Thereafter	973,929
	<u>\$ 1,759,364</u>

### **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.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$1,817,146 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 30, 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, was 0.4747 percent and 0.4750, respectively, resulting in a net (decrease) in the proportionate share of 0.0003 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(181,355).

### 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).

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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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 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 OPEB Liability
1% decrease (2.87%)	\$2,009,855
Current discount rate (3.87%)	1,817,146
1% increase (4.87%)	1,643,145

### *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 cost trend rates, as well as what the net pension liability would be if it were calculated using Medicare cost trend rates that are one percent lower or higher than the current rate:

Medicare Cost Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$1,657,055
Current Medicare cost trend rates (3.7% Part A and 4.1% Part B)	1,817,146
1% increase (4.7% Part A and 5.1% Part B)	1,989,323

# **DESERT SANDS UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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### **NOTE 11 - NON-OBLIGATORY DEBT**

Non-obligatory debt relates to debt issuances by the Community Facility Districts and the Desert Sands Unified School District, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders and may initiate foreclosure proceedings. Special assessment debt of \$925,000 as of June 30, 2019, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

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# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund
Nonspendable:				
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -
Stores inventories	317,480	-	-	-
Prepaid expenditures	174,733	-	-	-
Total Nonspendable	<u>517,213</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted				
Legally restricted programs	10,837,283	-	-	-
Capital projects	-	113,868,240	-	-
Debt service	-	-	-	46,484,172
Total Restricted	<u>10,837,283</u>	<u>113,868,240</u>	<u>-</u>	<u>46,484,172</u>
Committed				
Adult education program	-	-	-	-
Supplemental concentration	1,694,044	-	-	-
Instructional materials/Technology	12,711,324	-	-	-
Total Committed	<u>14,405,368</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned				
OPEB liability	1,700,000	-	-	-
Site carryover	1,560,623	-	-	-
Other assignments	-	-	41,726,581	-
Total Assigned	<u>3,260,623</u>	<u>-</u>	<u>41,726,581</u>	<u>-</u>
Unassigned				
Economic uncertainties	15,488,820	-	-	-
Remaining unassigned	7,672,740	-	-	-
Total Unassigned	<u>23,161,560</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$52,182,047</u>	<u>\$ 113,868,240</u>	<u>\$ 41,726,581</u>	<u>\$ 46,484,172</u>



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Non-Major Governmental Funds	Total
\$ 165,000	\$ 190,000
173,987	491,467
22,631	197,364
<u>361,618</u>	<u>878,831</u>
1,073,853	11,911,136
3,684,287	117,552,527
870	46,485,042
<u>4,759,010</u>	<u>175,948,705</u>
67,424	67,424
-	1,694,044
-	12,711,324
<u>67,424</u>	<u>14,472,792</u>
-	1,700,000
-	1,560,623
<u>12,882,073</u>	<u>54,608,654</u>
<u>12,882,073</u>	<u>57,869,277</u>
-	15,488,820
-	7,672,740
-	23,161,560
<u>\$ 18,070,125</u>	<u>\$ 272,331,165</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance through Riverside Schools' Insurance Authority and Southern California Regional Liability Excess Fund Joint Powers Authorities for first party damage with coverage up to a maximum of \$250 million, subject to various policy sublimits generally ranging from \$500 to \$100 million and Member Retained Limits ranging from \$250 to \$5,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence with excess liability coverage up to \$25 million per occurrence and \$60 million aggregate, all subject to a \$50,000 Member Retained Limit per occurrence and a self-insured retention level of \$5,000. The District self-insures workers' compensation coverage up to \$600,000 per occurrence with excess coverage up to \$50,000,000. 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, June 30, 2017	\$ 13,568,706
Claims and changes in estimates	(2,591,123)
Claims payments	2,591,123
Liability Balance, June 30, 2018	13,568,706
Claims and changes in estimates	(1,139,515)
Claims payments	2,437,849
Liability Balance, June 30, 2019	\$ 14,867,040
Assets available to pay claims at June 30, 2019	\$ 19,558,294

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### NOTE 14 - 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	\$ 243,087,409	\$ 74,192,494	\$ 16,934,507	\$ 31,352,502
CalPERS	105,044,784	28,878,613	727,503	20,858,760
Total	<u>\$ 348,132,193</u>	<u>\$ 103,071,107</u>	<u>\$ 17,662,010</u>	<u>\$ 52,211,262</u>

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.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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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 December 31, 2012	On or after January 1, 2013
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 \$24,079,003.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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	\$ 243,087,409
State's proportionate share of the net pension liability associated with the District	139,178,910
Total	<u>\$ 382,266,319</u>

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, was 0.2645 percent and 0.2624 percent, respectively, resulting in a net increase in the proportionate share of 0.0021 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$31,352,502. In addition, the District recognized pension expense and revenue of \$16,350,383 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	\$ 24,079,003	\$ -
Net change in proportionate share of net pension liability	11,595,402	4,043,128
Differences between projected and actual earnings on pension plan investments	-	9,360,401
Differences between expected and actual experience in the measurement of the total pension liability	753,805	3,530,978
Changes of assumptions	37,764,284	-
Total	<u>\$ 74,192,494</u>	<u>\$ 16,934,507</u>

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

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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	\$ 2,032,407
2021	(1,474,768)
2022	(7,853,013)
2023	(2,065,027)
Total	<u>\$ (9,360,401)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, the 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 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2020	\$ 8,983,874
2021	8,983,874
2022	8,983,871
2023	8,288,446
2024	7,097,155
Thereafter	202,165
Total	<u>\$ 42,539,385</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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%

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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%)	\$ 356,094,607
Current discount rate (7.10%)	243,087,409
1% increase (8.10%)	149,393,475

### 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, and the Risk Pool Actuarial Valuation Report, Safety. These reports 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>.



# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Benefits Provided

CalPERS provide 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 December 31, 2012	On or after January 1, 2013
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 are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. 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 \$9,884,257.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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 \$105,044,784. 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, was 0.3940 percent and 0.3978 percent, respectively, resulting in a net decrease in the proportionate share of 0.0038 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$20,858,760. 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	\$ 9,884,257	\$ -
Net change in proportionate share of net pension liability	758,144	727,503
Difference between projected and actual earnings on pension plan investments	861,603	-
Differences between expected and actual experience in the measurement of the total pension liability	6,886,351	-
Changes of assumptions	10,488,258	-
Total	<u>\$ 28,878,613</u>	<u>\$ 727,503</u>

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

## DESERT SANDS UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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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	\$ 3,133,839
2021	749,430
2022	(2,401,648)
2023	(620,018)
Total	<u>\$ 861,603</u>

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 (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� 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	\$ 8,221,473
2021	7,099,571
2022	2,084,206
Total	<u>\$ 17,405,250</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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%

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### 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%)	\$ 152,940,182
Current discount rate (7.15%)	105,044,784
1% increase (8.15%)	65,308,695

### On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS and CalPERS in the amounts of \$22,189,141 and \$3,561,488, respectively, (9.828 percent of annual payroll). 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 an additional 2018–19 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 been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule and Major Special Revenue Fund – Budgetary Comparison Schedule*.

## NOTE 15 - 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.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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### Litigation

The District is involved in various litigation 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 Projects	Remaining Construction Commitment	Expected Date of Completion
Indio High School	\$ 575,661	2019
La Quinta Middle School	74,060	2019
Roosevelt Seismic	126,290	2020
Madison Modernization	1,024,097	2020
Indio Middle Modernization	1,539,328	2020
Kennedy Modernization	4,022,419	2020
Desert Educational Center Central Kitchen	24,875	2020
Roosevelt Interior Space	228,765	2020
District Wide Asphalt and Playground Project	1,221,139	2020
La Quinta High School Pool Deck	1,064,927	2020
	<u>\$ 9,901,561</u>	

### NOTE 16 - PARTICIPATION IN JOINT POWER AUTHORITIES

The District is a member of the Riverside Schools' Insurance Authority (RSIA) joint powers authorities (JPA's). The District pays an annual premium to each entity for its property liability, and health and welfare coverage, respectively. The relationships between the District, the pools, and the JPA's 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 available from the respective entities.

During the year ended June 30, 2019, the District made payments of \$2,212,933 to RSIA for its property liability, and health and welfare coverage.



## **REQUIRED SUPPLEMENTARY INFORMATION**

# DESERT SANDS UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
<b>REVENUES</b>				
Local Control Funding Formula	\$ 258,391,408	\$ 260,229,280	\$ 260,522,600	\$ 293,320
Federal sources	16,796,308	20,892,166	19,206,588	(1,685,578)
Other State sources	31,612,806	30,591,496	43,731,188	13,139,692
Other local sources	37,059,276	38,888,760	43,246,825	4,358,065
<b>Total Revenues <sup>1</sup></b>	<b>343,859,798</b>	<b>350,601,702</b>	<b>366,707,201</b>	<b>16,105,499</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	146,298,122	143,751,343	143,052,873	698,470
Classified salaries	49,423,653	51,048,592	53,123,740	(2,075,148)
Employee benefits	94,332,287	94,583,370	107,038,253	(12,454,883)
Books and supplies	14,706,305	22,346,041	14,259,691	8,086,350
Services and operating expenditures	27,178,155	31,387,596	26,766,421	4,621,175
Other outgo	1,764,468	2,281,418	4,062,076	(1,780,658)
Capital Outlay	3,059,848	3,838,292	-	3,838,292
Debt service - Principal	-	-	2,508,672	(2,508,672)
Debt service - Interest	-	-	250,722	(250,722)
<b>Total Expenditures <sup>1</sup></b>	<b>336,762,838</b>	<b>349,236,652</b>	<b>351,062,448</b>	<b>(1,825,796)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>7,096,960</b>	<b>1,365,050</b>	<b>15,644,753</b>	<b>14,279,703</b>
<b>Other Financing Uses</b>				
Transfers out	(8,595,689)	(9,641,360)	(9,688,770)	(47,410)
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,498,729)</b>	<b>(8,276,310)</b>	<b>5,955,983</b>	<b>14,232,293</b>
<b>Fund Balance - Beginning</b>	<b>46,226,064</b>	<b>46,226,064</b>	<b>46,226,064</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 44,727,335</b>	<b>\$ 37,949,754</b>	<b>\$ 52,182,047</b>	<b>\$ 14,232,293</b>

<sup>1</sup> On behalf payments related to SB 90 (Chapter 33, Statutes of 2019) of \$12,905,286 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

<sup>2</sup> Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, into the General Fund, additional revenues and expenditures pertaining to this other fund are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.



# DESERT SANDS 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
<b>Total OPEB Liability</b>		
Service cost	\$ 5,534,899	\$ 5,386,763
Interest	2,820,590	2,877,812
Changes of assumptions	1,916,451	-
Benefit payments	(3,626,047)	(3,486,584)
<b>Net change in total OPEB liability</b>	<b>6,645,893</b>	<b>4,777,991</b>
<b>Total OPEB liability - beginning</b>	<b>79,633,863</b>	<b>74,855,872</b>
<b>Total OPEB liability - ending</b>	<b>\$ 86,279,756</b>	<b>\$ 79,633,863</b>
 <b>Covered payroll</b>	 <b>N/A<sup>1</sup></b>	 <b>N/A<sup>1</sup></b>
 <b>District's total OPEB liability as a percentage of covered payroll</b>	 <b>N/A<sup>1</sup></b>	 <b>N/A<sup>1</sup></b>

<sup>1</sup> 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.

## DESERT SANDS UNIFIED SCHOOL DISTRICT

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

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Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.4747%	0.4750%
District's proportionate share of the net OPEB liability	\$ 1,817,146	\$ 1,998,501
District's covered-employee payroll	N/A <sup>1</sup>	N/A <sup>1</sup>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

<sup>1</sup> 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.

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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# DESERT SANDS UNIFIED SCHOOL DISTRICT

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

	2019	2018	2017
<b>CalSTRS</b>			
District's proportion of the net pension liability	0.2645%	0.2624%	0.2700%
District's proportionate share of the net pension liability	\$ 243,087,409	\$ 242,655,747	\$ 218,212,215
State's proportionate share of the net pension liability associated with the District	139,178,910	143,553,090	124,224,322
Total	<u>\$ 382,266,319</u>	<u>\$ 386,208,837</u>	<u>\$ 342,436,537</u>
District's covered-employee payroll	<u>\$ 146,885,389</u>	<u>\$ 144,046,466</u>	<u>\$ 141,794,777</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>165.49%</u>	<u>168.46%</u>	<u>153.89%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>	<u>70%</u>
<b>CalPERS</b>			
District's proportion of the net pension liability	0.3940%	0.3978%	0.4000%
District's proportionate share of the net pension liability	\$ 105,044,784	\$ 94,976,673	\$ 79,000,395
District's covered-employee payroll	<u>\$ 54,773,530</u>	<u>\$ 52,269,839</u>	<u>\$ 50,732,899</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>191.78%</u>	<u>181.70%</u>	<u>155.72%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>	<u>74%</u>

*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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<u>2016</u>	<u>2015</u>
<u>0.2542%</u>	<u>0.2427%</u>
\$ 171,134,943	\$ 141,845,452
<u>90,511,520</u>	<u>85,652,408</u>
<u>\$ 261,646,463</u>	<u>\$ 227,497,860</u>
<u>\$ 135,896,058</u>	<u>\$ 116,384,546</u>
<u>125.93%</u>	<u>121.88%</u>
<u>74%</u>	<u>77%</u>
<u>0.3785%</u>	<u>0.3740%</u>
<u>\$ 55,797,106</u>	<u>\$ 42,458,178</u>
<u>\$ 47,905,080</u>	<u>\$ 41,894,783</u>
<u>116.47%</u>	<u>101.34%</u>
<u>79%</u>	<u>83%</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

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

	2019	2018	2017
<b>CalSTRS</b>			
Contractually required contribution	\$ 24,079,003	\$ 20,785,905	\$ 17,837,783
Contributions in relation to the contractually required contribution	24,079,003	20,785,905	17,837,783
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 147,905,424</u>	<u>\$ 146,885,389</u>	<u>\$ 144,046,466</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.15%</u>	<u>12.38%</u>
<b>CalPERS</b>			
Contractually required contribution	\$ 9,884,257	\$ 8,117,506	\$ 7,045,785
Contributions in relation to the contractually required contribution	9,884,257	8,117,506	7,045,785
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 54,730,105</u>	<u>\$ 54,773,530</u>	<u>\$ 52,269,839</u>
Contributions as a percentage of covered-employee payroll	<u>18.06%</u>	<u>14.82%</u>	<u>13.48%</u>

*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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<u>2016</u>	<u>2015</u>
\$ 14,581,647	\$ 10,338,352
<u>14,581,647</u>	<u>10,338,352</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 141,794,777</u>	<u>\$ 135,896,058</u>
<u>10.28%</u>	<u>7.61%</u>
\$ 5,676,752	\$ 4,931,016
<u>5,676,752</u>	<u>4,931,016</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 50,732,899</u>	<u>\$ 47,905,080</u>
<u>11.19%</u>	<u>10.29%</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### 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 major fund exceeded the budgeted amount in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	\$ 358,878,012	\$ 360,751,218	\$ 1,873,206

\* Includes SB 90 (Chapter 33, Statutes of 2019) of \$12,905,286.

#### 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.

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

***Changes of Assumptions*** – Changes of assumptions reflect a change in the discount rate from 3.80 percent in 2018 to 3.50 percent in 2019.



# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### **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**

# DESERT SANDS UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Passed through California Department of Education (CDE):				
Indian Education - Grants to Local Educational Agencies	84.060	10011	\$ 23,131	\$ -
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894	229,613	-
Every Student Succeeds Act (ESSA):				
Title I, Part A Cluster				
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	7,951,339	62,328
School Improvement (CSI) Funding for LEAs	84.010	15438	510	-
Total Title I, Part A Cluster			7,951,849	62,328
Title I, Part C - Migrant Ed Cluster				
Title I, Part C - Migrant Ed Regular Program	84.011	14326	104,010	-
Title I, Part C - Migrant Ed Summer Program	84.011	10005	52,417	-
Total Title I, Part C - Migrant Ed Cluster			156,427	-
Title II, Part A, Supporting Effective Instruction	84.367	14341	1,049,085	123,982
Title III Cluster				
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	841,182	41,046
Title III - Immigrant Education Program	84.365	15146	23,163	-
Total Title III Cluster			864,345	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	244,803	-
Education for Homeless Children and Youth, Subtitle VII-B Mckinney-Vento Act	84.196	14332	2,502	-
Passed through Riverside County Special Education Local Plan Area:				
Special Education Cluster:				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	4,394,870	-
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	88,557	-
Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	333,940	-
Preschool Staff Development, Part B, Section 619	84.173A	13431	886	-
Total Special Education Cluster			4,818,253	-
Total U.S. Department of Education			15,340,008	227,356

See accompanying note to supplementary information.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amount Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed through CDE:				
Child Nutrition Cluster:				
Basic School Breakfast Program	10.553	13390	\$ 39,899	\$ -
Especially Needy Breakfast	10.553	13526	2,040,192	-
National School Lunch Program	10.555	13391	7,762,914	-
Meal Supplement	10.555	13396	182,298	-
Food Distribution	10.555	13524	534,634	-
Total Child Nutrition Cluster			10,559,937	-
Child and Adult Care Food Program	10.558	13393	448,099	-
Total U.S. Department of Agriculture			11,008,036	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed through California Department of Health Services:				
Medi-Cal Assistance Program				
Medi-Cal Billing Option	93.778	10013	406,120	-
Passed through Riverside County Office of Education:				
Medical Administrative Activities Program	93.778	10060	923,140	-
Total Medi-Cal Assistance Program			1,329,260	-
Head Start	93.600	10016	2,296,255	-
Total U.S. Department of Health and Human Services			3,625,515	-
Total Federal Programs			\$ 29,973,559	\$ 227,356

See accompanying note to supplementary information.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

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### ORGANIZATION

The Desert Sands Unified School District was established July 1, 1966, and consists of an area comprising approximately 752 square miles. The District operates nineteen elementary schools, six middle schools, four high schools, two continuation high schools, one alternative education school, and two charter schools. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ms. Wendy Jonathan	President	2020
Ms. Linda Porras	Vice President/Clerk	2020
Ms. Ana M. Conover	Member	2022
Mr. Donald B. Griffith	Member	2022
Mr. Gary Tomak	Member	2020

### ADMINISTRATION

Mr. Scott Bailey	Superintendent
Jordan Aquino	Assistant Superintendent, Business Services
Mr. Kelly May-Vollmar, Ed.D.	Assistant Superintendent, Educational Services
Donna Salazar, Ed.D.	Assistant Superintendent, Personnel Services
Ms. Laura Fisher	Assistant Superintendent, Student Support Services

See accompanying note to supplementary information.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

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

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	7,286.65	7,280.55
Fourth through sixth	5,314.81	5,298.48
Seventh and eighth	3,473.58	3,462.39
Ninth through twelfth	8,856.82	8,711.74
Total Regular ADA	24,931.86	24,753.16
Extended Year Special Education		
Transitional kindergarten through third	8.77	8.77
Fourth through sixth	7.14	7.14
Seventh and eighth	1.71	1.71
Ninth through twelfth	0.71	0.71
Total Extended Year Special Education	18.33	18.33
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	1.94	1.48
Total Special Education, Nonpublic, Nonsectarian Schools	1.94	1.48
Total ADA	24,952.13	24,772.97
GEORGE WASHINGTON CHARTER SCHOOL		
Regular ADA		
Transitional kindergarten through third	554.89	553.51
Fourth through sixth	250.20	249.78
Total Regular ADA	805.09	803.29
GEORGE WASHINGTON CHARTER SCHOOL		
Classroom based ADA		
Transitional kindergarten through third	551.04	549.86
Fourth through sixth	248.98	248.59
Total Classroom Based ADA	800.02	798.45
PALM DESERT CHARTER MIDDLE SCHOOL		
Regular ADA		
Fourth through sixth	442.68	441.82
Seventh and eighth	904.95	897.92
Total Regular ADA	1,347.63	1,339.74
PALM DESERT CHARTER MIDDLE SCHOOL		
Classroom based ADA		
Fourth through sixth	441.89	441.20
Seventh and eighth	903.11	896.34
Total Classroom Based ADA	1,345.00	1,337.54

See accompanying note to supplementary information.

# DESERT SANDS 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		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	37,113	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,125	180	N/A	Complied
Grade 2		53,125	180	N/A	Complied
Grade 3		53,125	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		56,320	180	N/A	Complied
Grade 5		56,320	180	N/A	Complied
Grade 6		59,604	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		59,604	180	N/A	Complied
Grade 8		59,604	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		66,367	180	N/A	Complied
Grade 10		66,367	180	N/A	Complied
Grade 11		66,367	180	N/A	Complied
Grade 12		66,367	180	N/A	Complied

See accompanying note to supplementary information.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2019

### George Washington Charter School

Grade Level	1986-87	2018-19	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	37,113	175	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,125	175	N/A	Complied
Grade 2		53,125	175	N/A	Complied
Grade 3		53,125	175	N/A	Complied
Grades 4 - 5	54,000				
Grade 4		56,320	175	N/A	Complied
Grade 5		56,320	175	N/A	Complied

### Palm Desert Charter Middle School

Grade Level	1986-87	2018-19	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grade 6	54,000	59,960	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		59,960	180	N/A	Complied
Grade 8		59,960	180	N/A	Complied

See accompanying note to supplementary information.



## **DESERT SANDS UNIFIED SCHOOL DISTRICT**

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

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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.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

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

	(Budget) 2020 <sup>1</sup>	2019	2018	2017
GENERAL FUND				
Revenues	\$ 345,707,024	\$ 366,707,201	\$ 332,526,461	\$ 323,573,994
Total Revenues and Other Sources	345,707,024	366,707,201	332,526,461	323,573,994
Expenditures	343,674,384	350,995,304	318,167,453	312,894,189
Other uses and transfers out	9,154,736	9,755,914	8,881,311	12,005,915
Total Expenditures and Other Uses	352,829,120	360,751,218	327,048,764	324,900,104
INCREASE (DECREASE) IN FUND BALANCE	\$ (7,122,096)	\$ 5,955,983	\$ 5,477,697	\$ (1,326,110)
ENDING FUND BALANCE	\$ 45,059,951	\$ 52,182,047	\$ 46,226,064	\$ 40,748,367
AVAILABLE RESERVES <sup>2</sup>	\$ 22,996,484	\$ 23,161,560	\$ 19,870,627	\$ 16,842,664
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	6.52%	6.42%	6.08%	5.35%
LONG-TERM OBLIGATIONS <sup>4</sup>	N/A	\$ 568,313,107	\$ 475,111,242	\$ 504,012,195
K-12 AVERAGE DAILY ATTENDANCE AT P-2 <sup>3</sup>	24,802	24,952	25,050	25,436

The General Fund balance has increased by \$11,433,680 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$7,122,096 (13.65 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$61,943,786 over the past two years.

Average daily attendance has decreased by 484 over the past two years. Additional decline of 150 ADA is anticipated during fiscal year 2019-2020.

<sup>1</sup> Budget 2020 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund and Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>3</sup> Excludes Charter Schools ADA.

<sup>4</sup> Additional on behalf payments related to SB 90 (Chapter 33, Statutes of 2019) of \$12,905,286 have been excluded from the calculations of available reserves from the fiscal year June 30, 2019.

<sup>5</sup> General Fund amounts include activity related to consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

See accompanying note to supplementary information.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2019

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
George Washington Charter School (Charter No. 0052)	Yes
Palm Desert Charter Middle School (Charter No. 0974)	Yes

See accompanying note to supplementary information.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

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

	Charter School Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
<b>ASSETS</b>				
Deposits and investments	\$ 16,049,383	\$ 287,255	\$ 326,037	\$ 196,282
Receivables	469,441	29,346	8,581	1,816,944
Due from other funds	578,736	47,440	33,014	1,168,842
Prepaid expenditures	-	-	-	22,631
Stores inventories	-	-	-	173,987
<b>Total Assets</b>	<u>\$ 17,097,560</u>	<u>\$ 364,041</u>	<u>\$ 367,632</u>	<u>\$ 3,378,686</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 324,464	\$ 67,687	\$ 5,545	\$ 29,138
Due to other funds	3,012,955	2,905	324,255	3,018,170
Unearned revenue	-	-	37,832	-
<b>Total Liabilities</b>	<u>3,337,419</u>	<u>70,592</u>	<u>367,632</u>	<u>3,047,308</u>
<b>Fund Balances:</b>				
Nonspendable	165,000	-	-	196,618
Restricted	713,068	226,025	-	134,760
Committed	-	67,424	-	-
Assigned	12,882,073	-	-	-
<b>Total Fund Balances</b>	<u>13,760,141</u>	<u>293,449</u>	<u>-</u>	<u>331,378</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 17,097,560</u>	<u>\$ 364,041</u>	<u>\$ 367,632</u>	<u>\$ 3,378,686</u>

See accompanying note to supplementary information

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<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Capital Project Fund for Blended Component Units</b>	<b>Building Corporation Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 3,874,014	\$ -	\$ 240,659	\$ 870	\$ 20,974,500
26,101	-	1,564	-	2,351,977
-	-	-	-	1,828,032
-	-	-	-	22,631
-	-	-	-	173,987
<u>\$ 3,900,115</u>	<u>\$ -</u>	<u>\$ 242,223</u>	<u>\$ 870</u>	<u>\$ 25,351,127</u>
\$ 458,051	\$ -	\$ -	\$ -	\$ 884,885
-	-	-	-	6,358,285
-	-	-	-	37,832
<u>458,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,281,002</u>
-	-	-	-	361,618
3,442,064	-	242,223	870	4,759,010
-	-	-	-	67,424
-	-	-	-	12,882,073
<u>3,442,064</u>	<u>-</u>	<u>242,223</u>	<u>870</u>	<u>18,070,125</u>
<u>\$ 3,900,115</u>	<u>\$ -</u>	<u>\$ 242,223</u>	<u>\$ 870</u>	<u>\$ 25,351,127</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

	Charter School Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund
<b>REVENUES</b>				
Local Control Funding Formula	\$ 18,437,841	\$ -	\$ -	\$ -
Federal sources	-	-	-	11,008,035
Other State sources	1,916,312	330,604	1,280,785	763,577
Other local sources	895,412	6,157	10,394	2,389,824
<b>Total Revenues</b>	<b>21,249,565</b>	<b>336,761</b>	<b>1,291,179</b>	<b>14,161,436</b>
<b>EXPENDITURES</b>				
Current				
Instruction	14,571,300	181,169	1,026,901	-
Instruction-related activities:				
Supervision of instruction	553	-	84,323	-
Instructional library, media, and technology	238,456	-	-	-
School site administration	2,199,244	-	-	-
Pupil services:				
Home-to school transportation	383,665	-	-	-
Food services	-	-	18,239	13,753,102
All other pupil services	536,442	148,617	119,055	-
Administration:				
Data processing	406,078	-	-	-
All other administration	541,294	6,683	55,296	-
Plant services	1,040,091	2,892	20,494	-
Enterprise services	-	-	-	1,021,598
Facility acquisition and construction	220,380	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<b>20,137,503</b>	<b>339,361</b>	<b>1,324,308</b>	<b>14,774,700</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,112,062</b>	<b>(2,600)</b>	<b>(33,129)</b>	<b>(613,264)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	33,014	1,178,318
Transfers out	-	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>33,014</b>	<b>1,178,318</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,112,062</b>	<b>(2,600)</b>	<b>(115)</b>	<b>565,054</b>
<b>Fund Balances - Beginning</b>	<b>12,648,079</b>	<b>296,049</b>	<b>115</b>	<b>(233,676)</b>
<b>Fund Balances - Ending</b>	<b>\$ 13,760,141</b>	<b>\$ 293,449</b>	<b>\$ -</b>	<b>\$ 331,378</b>

See accompanying note to supplementary information.

<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Capital Project Fund for Blended Component Units</b>	<b>Building Corporation Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 18,437,841
-	-	-	-	11,008,035
-	17,711,839	-	-	22,003,117
2,939,190	2,442	85,849	1,003	6,330,271
<u>2,939,190</u>	<u>17,714,281</u>	<u>85,849</u>	<u>1,003</u>	<u>57,779,264</u>
-	-	-	-	15,779,370
-	-	-	-	84,876
-	-	-	-	238,456
-	-	-	-	2,199,244
-	-	-	-	383,665
-	-	-	-	13,771,341
-	-	-	-	804,114
-	-	-	-	406,078
-	-	-	-	603,273
189,113	-	44,426	-	1,297,016
-	-	-	-	1,021,598
5,854,663	-	-	-	6,075,043
-	-	-	6,550,000	6,550,000
-	-	-	1,994,581	1,994,581
<u>6,043,776</u>	<u>-</u>	<u>44,426</u>	<u>8,544,581</u>	<u>51,208,655</u>
<u>(3,104,586)</u>	<u>17,714,281</u>	<u>41,423</u>	<u>(8,543,578)</u>	<u>6,570,609</u>
-	-	-	8,538,214	9,749,546
-	(17,714,281)	-	-	(17,714,281)
-	(17,714,281)	-	8,538,214	(7,964,735)
(3,104,586)	-	41,423	(5,364)	(1,394,126)
6,546,650	-	200,800	6,234	19,464,251
<u>\$ 3,442,064</u>	<u>\$ -</u>	<u>\$ 242,223</u>	<u>\$ 870</u>	<u>\$ 18,070,125</u>

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### 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 primarily of Medi-Cal Billing Option funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balance:		\$ 30,214,623
Medi-Cal Billing Option	93.778	(241,064)
Total Schedule of Expenditures of Federal Awards		<u>\$ 29,973,559</u>

#### 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.



# **DESERT SANDS UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019**

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### **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 and *Education Code* Sections 47612 and 47612.5 for the Charter Schools.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201 and *Education Code* Section 47612.5 for the Charter Schools.

### **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 Actuals 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.

### **Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

### **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**



**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  
Desert Sands Unified School District  
La Quinta, 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 Desert Sands 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 Desert Sands Unified School District's basic financial statements, and have issued our report thereon dated October 24, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Desert Sands 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 Desert Sands Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Desert Sands 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Desert Sands 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 Desert Sands Unified School District in a separate letter dated October 24, 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 result 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
October 24, 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  
Desert Sands Unified School District  
La Quinta, California

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

We have audited Desert Sands 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 Desert Sands Unified School District's major Federal programs for the year ended June 30, 2019. Desert Sands 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 the compliance for the Desert Sands 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 Desert Sands 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 the major Federal program. However, our audit does not provide a legal determination of Desert Sands Unified School District's compliance.

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

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

### **Report on Internal Control over Compliance**

Management of Desert Sands 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 Desert Sands 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 Desert Sands 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
October 24, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Desert Sands Unified School District  
La Quinta, California

### **Report on State Compliance**

We have audited Desert Sands 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 Desert Sands 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 Desert Sands 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 Desert Sands 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 Desert Sands Unified School District's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, Desert Sands 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.

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

	Procedures Performed
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
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	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
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
<b>CHARTER SCHOOLS</b>	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
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 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 did not have more than 20 percent ADA generated through non-classroom based instruction through the Charter School; therefore, we did not perform any procedures related to the Determination of Funding for Non-Classroom Based Instruction and Non Classroom-Based Instruction/Independent Study for Charter Schools.

The District does not participate in the Charter School Facility Grant Program; therefore, we did not perform any procedures for the Charter School Facility Grant Program.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
October 24, 2019



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2019

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### FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 899,207</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

### STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**DESERT SANDS UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**DESERT SANDS UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

---

None reported.

**DESERT SANDS UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

---

None reported.

# DESERT SANDS UNIFIED SCHOOL DISTRICT

## SUMMARY OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### **2018-001      30000 - Internal Control - Inventory (Cafeteria Fund)**

Significant deficiency

#### **Criteria or Specific Requirements**

Industry standards and best business practices related to accounting and internal control require that an entity adopt, implement, and monitor procedures that will allow for accurate reporting of financial information to management and those charged with governance related to the handling and monitoring of inventory balance.

#### **Condition**

In reviewing the District's cafeteria year-end inventory listing, it was noted that the ending inventory balance was not reported accurately. The lack of proper monitoring and monthly physical counts resulted in the overstatement of the year-end inventory balance, as well as the overall fund balance.

#### **Questioned Costs**

There were no questioned costs associated with the condition found.

#### **Context**

The conditions identified were determined through review of the District cafeteria financial statements, fund balance, and inventory balance.

#### **Effect**

The conditions identified may result in under/over statement of the cafeteria fund balance.

#### **Cause**

It appears that the condition materialized due to the lack of proper internal control over the monitoring and recording of year-end inventory balances.

#### **Recommendation**

We recommend that the District's management review its procedures relating to the cafeteria's inventory and implement appropriate procedures to ensure accurate inventory balances are reported on an annual basis.

**DESERT SANDS UNIFIED SCHOOL DISTRICT**

**SUMMARY OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

---

**Current Status**

Implemented.





Governing Board  
Desert Sands Unified School District  
La Quinta, California

In planning and performing our audit of the financial statements of Desert Sands 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 October 24, 2019, on the government-wide financial statements of the District.

### **Shadow Hills High School**

#### ***ASB - Revenue Potentials***

##### **Observation**

Three out of seven revenue potential forms are not being completed with all the necessary items. The revenue potentials forms are not comparing the budgeted and actual amounts. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

##### **Recommendation**

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential form also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all monies due, and so forth.

### **Palm Desert High School**

#### ***ASB - Cash Receipting - Timely Deposits***

##### **Observation**

Twelve of twenty-five receipts tested were not deposited in a timely manner. Receipt number 2936 for \$10 took 64 days from the date received to the date deposited. This could potentially result in large cash balances being maintained at the site which decreases the safeguarding of the asset.

### **Recommendation**

At a minimum, deposits should be made weekly 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 establish and communicate specific guidelines for timely deposit procedures including the maximum cash on hand that should be maintained at the site.

### ***Inventory - Reconciliation***

#### **Observation**

In reviewing the monthly reconciliation and financial statements, we noted that the inventory detail balances do not equal the inventory balance in the financial statements. The purpose of performing the monthly inventory reconciliation is to ensure that no errors have occurred in counting inventory, and that the inventory balances and monthly activity is accurately reported. The following discrepancies were noted:

1. June physical inventory value of \$1,005.42: June inventory carried on the balance sheet is \$0.  
Inventory is an asset account that should have a positive balance. Variance between physical count and balance sheet is \$1,005.42.

#### **Recommendation**

The site should ensure that the reconciled details of assets of the student body equal the balances in the financial statements. If an unreconciled difference is found, it should be investigated to determine in what account (asset, liability, agency, or trust account balance) the error has occurred. The account would then be adjusted appropriately.

### ***Student Store - Store Procedures***

#### **Observation**

The controls and procedures in place at the student store are not sufficient to ensure that there is a separation of duties when it comes to cash collected at the student store. We noted the following condition which we felt was an area that should be addressed:

1. The current procedure when closing out the student store registers is for the ASB clerk to reconcile the cash collected by each register to the Daily Closing Report at the end of each day.

#### **Recommendation**

The site should analyze the procedures at the student store and enhance the control environment by implementing new procedures and changing current procedures. The procedural changes should include the following:

1. The ASB clerk should count the cash collected by the students for each cash register in the presence of the student for each shift. There should be a cash count form for the cash that is counted and signed by both the student and the ASB clerk.

This allows for transparency by all parties involved that the monies that were collected were accounted for. It will also enable a timely investigation if there are any substantial overages/shortages. Daily overages in the register usually mean that merchandise was sold and not rung up on the register. To enhance the accountability and accounting of the student store activity, the importance of ringing all merchandise sales up should be emphasized to all who work the register. Daily cash shortages can be attributable to incorrect change being handed out, misplaced funds, or theft. If differences are of a substantial amount, an investigation should be conducted to pinpoint the reason.

### **La Quinta High School**

#### ***Deficit Club Account Balances***

##### **Observation - ASB Negative Trust Accounts**

In reviewing the financial statements for the student body accounts, we noted that several trust accounts had a negative club account balance.

Since the student body accounts represent individual portions of the cash and asset pool, by some accounts having negative balances, they have in actuality spent the available funds of other accounts. A key control in any internal control system is the control of individual account balances by ensuring the expenditure is allowable and the account requesting the expenditure has the funds to cover it.

##### **Recommendation**

By allowing certain clubs to spend in excess of their available reserves, the ASB is effectively using the funds of the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the club's account.

### **Palm Desert Charter Middle School**

#### ***Master Ticket Log***

##### **Observation**

A master ticket log is not being used to account for all tickets on hand and used during the year. The auditor was unable to gauge an accurate population of ticketed events to sample from. Due to the lack of a ticket log, the auditor did not test the accuracy of revenues generated from ticketed events to deposits made by the ASB.

##### **Recommendation**

A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the roll 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.

***ASB - Cash Receipting - Timely Deposits***

**Observation**

Three of eight receipts tested were not deposited in a timely manner. Receipt number 247 for \$155 took 27 days from the date received to the date deposited. This could potentially result in large cash balances being maintained at the site which decreases the safeguarding of the asset.

**Recommendation**

At a minimum, deposits should be made weekly 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 establish and communicate specific guidelines for timely deposit procedures including the maximum cash on hand that should be maintained at the site.

We will review the status of the current year comments during our next audit engagement.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
October 24, 2019

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Desert Sands Unified School District (the “District”) in connection with the issuance of \$ \_\_\_\_\_ of the District’s 2020 General Obligation Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to a resolution of the District dated March 17, 2020. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially Fieldman Rolapp & Associates, Inc., dba Applied Best Practices, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Financial Obligation” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

“Holders” shall mean the registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Sections 5(a) or 5(b) of this Disclosure Certificate.

“Official Statement” means that certain official statement, dated \_\_\_\_\_, 2020, relating to the offering and sale of the Bonds.

“Participating Underwriter” shall mean RBC Capital Markets, LLC, as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean, the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

### SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2019-20 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District’s Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (a) State funding received by the District for the last completed fiscal year;
- (b) Average daily attendance of the District for the last completed fiscal year;
- (c) Outstanding District indebtedness;
- (d) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the then-current fiscal year;
- (e) Assessed valuation of taxable property within the District for the current fiscal year; and
- (f) Secured tax levy collections and delinquencies within the District for the last completed fiscal year, except to the extent the Teeter Plan, as adopted by Riverside County, applies to both the 1% general purpose *ad valorem* property tax levy and to the tax levy for general obligation bonds of the District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

- 1. principal and interest payment delinquencies.
- 2. tender offers.
- 3. defeasances.
- 4. rating changes.
- 5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, adverse tax opinions or Notices of Proposed Issue (IRS Form 5701-TEB).
- 6. unscheduled draws on the debt service reserves reflecting financial difficulties.
- 7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

10. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(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:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled Bond calls

4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

8. incurrence of a Financial Obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Bondowners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.



(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a

change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: \_\_\_\_\_, 2020

DESERT SANDS UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
Superintendent

**EXHIBIT A**

**NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of District: DESERT SANDS UNIFIED SCHOOL DISTRICT

Name of Bond Issue: 2020 General Obligation Refunding Bonds

Date of Issuance: \_\_\_\_\_, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

DESERT SANDS UNIFIED SCHOOL DISTRICT

By \_\_\_\_\_ [form only; no signature required]

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## APPENDIX D

### ECONOMIC AND DEMOGRAPHIC PROFILE OF THE CITIES OF INDIO, LA QUINTA AND PALM DESERT AND RIVERSIDE COUNTY

*Approximately 72% of the District lies within the boundaries of the Cities of Indio (“Indio”), La Quinta (“La Quinta”) and Palm Desert (“Palm Desert,” and together with Indio and La Quinta, the “Cities”). The following information concerning the Cities and Riverside County (the “County”) is included only for the purpose of supplying general information thereof. The Bonds are not obligations of either the Cities or the County, and do not represent a lien or charge against any funds or property thereof. The following information is provided only to give prospective investors an overview of the general economic condition of the Cities, County and the State of California (the “State”).*

#### **General**

The County is the fourth largest county in the State, encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County, incorporated in 1893, is a general law county with its seat located in the city of Riverside.

The City of Indio is located in the Coachella Valley, approximately 120 miles east of the City of Los Angeles. Initially a railroad town, Indio initially developed an agricultural economy and, more recently, has largely become a residential and recreational area. Indio operates under a city council-city manager form of government with five elected members of the city council that appoint a city manager and city attorney.

The City of La Quinta is surrounded by the Santa Rosa Mountains and located between the City of Indian Wells and Indio. La Quinta was incorporated on May 1, 1982, became a charter city in 1996 and has a Council-Manager form of government with the City Manager appointed by the City Council. The City Council is composed of five members elected at-large and serve four-year staggered terms, residents elect the Mayor and four Council members.

The City of Palm Desert borders Indio on its eastern side. The first development in the area was the result of an Army maintenance camp that quickly developed into a major shopping area. The Palm Desert area experienced rapid population growth from the 1980’s through the 2000’s. Palm Desert is a general law city with a five-member city council that appoints the mayor.

## Population

The following table summarizes population estimates of the Cities, County and State for the past 10 years.

**POPULATION ESTIMATES  
2010 through 2019  
City of Indio, City of La Quinta, City of Palm Desert,  
Riverside County and the State of California**

<b><u>Year</u></b> <sup>(1)</sup>	<b><u>City of Indio</u></b>	<b><u>City of La Quinta</u></b>	<b><u>City of Palm Desert</u></b>	<b><u>Riverside County</u></b>	<b><u>State of California</u></b>
2010 <sup>(2)</sup>	76,036	37,467	48,445	2,189,641	37,253,956
2011	77,219	37,870	49,378	2,217,946	37,594,781
2012	78,668	38,159	49,859	2,246,951	37,971,427
2013	81,707	38,236	50,010	2,272,031	38,321,459
2014	82,758	39,266	50,889	2,295,798	38,622,301
2015	84,539	40,105	51,675	2,321,837	38,952,462
2016	85,583	40,269	51,768	2,350,992	39,214,803
2017	87,033	41,029	52,705	2,384,660	39,504,609
2018	88,194	41,753	53,298	2,412,536	39,740,508
2019	89,406	42,098	53,625	2,440,124	39,927,315

<sup>(1)</sup> As of January 1.

<sup>(2)</sup> As of April 1.

Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.

2011-19 (2010 Demographic Research Unit Benchmark): California Department of Finance for January 1.

## Income

The following table shows per capita personal income for the County, State and the United States for the past 10 years.

**PER CAPITA PERSONAL INCOME  
2010 through 2019  
Riverside County, State of California, and United States**

<b><u>Year</u></b>	<b><u>Riverside County</u></b>	<b><u>State of California</u></b>	<b><u>United States</u></b>
2010	\$30,698	\$43,636	\$40,547
2011	32,196	46,175	42,739
2012	32,737	48,813	44,605
2013	33,440	49,303	44,860
2014	34,753	52,363	47,071
2015	36,642	55,808	48,994
2016	37,936	57,801	49,890
2017	38,975	60,219	51,910
2018	40,637	63,711	54,526
2019	-- <sup>(1)</sup>	66,661	56,663

<sup>(1)</sup> Data for 2019 not yet available.

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2018 reflect county population estimates available as of March 2019. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Employment

The following table summarizes the labor force, employment and unemployment figures for the past five years for the Cities, County, State and the United States.

### CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT 2015 through 2019<sup>(1)</sup>

#### City of Indio, City of La Quinta, City of Palm Desert, Riverside County and State of California

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u> <sup>(2)</sup>	<u>Unemployment</u> <sup>(3)</sup>	<u>Unemployment Rate (%)</u>
2015	City of Indio	38,100	35,400	2,800	7.2
	City of La Quinta	17,700	16,900	700	4.2
	City of Palm Desert	23,100	22,000	1,100	4.8
	Riverside County	1,033,300	964,100	69,200	6.7
	California	18,828,800	17,660,700	1,168,100	6.2
	United States	157,130,000	148,834,000	8,296,000	5.3
2016	City of Indio	39,000	36,200	2,800	7.2
	City of La Quinta	18,500	17,400	1,100	6.0
	City of Palm Desert	23,900	22,400	1,400	6.0
	Riverside County	1,051,400	987,200	64,200	6.1
	State of California	19,021,200	17,980,100	1,041,100	5.5
	United States	159,187,000	151,436,000	7,751,000	4.9
2017	City of Indio	39,800	37,300	2,600	6.5
	City of La Quinta	18,700	17,700	1,000	5.2
	City of Palm Desert	24,300	23,100	1,200	5.0
	Riverside County	1,072,200	1,015,800	56,300	5.3
	State of California	19,176,400	18,257,100	919,300	4.8
	United States	160,320,000	153,337,000	6,982,000	4.4
2018	City of Indio	40,700	38,400	2,300	5.6
	City of La Quinta	19,000	18,100	900	4.5
	City of Palm Desert	24,600	23,500	1,100	4.4
	Riverside County	1,091,400	1,042,700	48,700	4.5
	State of California	19,280,800	18,460,700	820,100	4.3
	United States	162,075,000	155,761,000	6,314,000	3.9
2019	City of Indio	47,100	39,000	2,200	5.3
	City of La Quinta	19,200	18,400	800	4.1
	City of Palm Desert	24,900	23,900	1,000	4.2
	Riverside County	1,104,000	1,057,900	46,100	4.2
	State of California	19,411,600	18,657,400	784,200	4.0
	United States	163,539,000	157,538,000	6,001,000	3.7

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. March 2019 Benchmark.

## Industry

The County is a part of the Riverside-San Bernardino Metropolitan Statistical Area (“MSA”), which includes all of Riverside and San Bernardino Counties. The following table summarizes the annual average industry employment statistics for the Riverside-San Bernardino-Ontario MSA for years 2015 through 2019.

### INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES 2015 through 2019

#### Riverside-San Bernardino-Ontario MSA

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Farm	14,800	14,600	14,500	14,500	15,100
Mining and Logging	1,300	900	1,000	1,200	1,200
Construction	85,700	92,000	97,400	105,200	105,900
Manufacturing	96,200	98,700	99,200	101,100	101,200
Wholesale Trade	60,500	61,600	62,600	65,500	66,700
Retail Trade	174,400	178,300	180,900	181,200	181,300
Transportation, Warehousing and Utilities	98,100	108,000	122,100	132,900	142,800
Information	11,700	11,800	11,600	11,400	11,500
Financial Activities	43,700	44,300	43,900	43,800	44,200
Professional and Business Services	147,400	144,900	146,900	151,400	155,500
Education and Health Services	206,300	215,700	226,700	239,500	250,100
Leisure and Hospitality	151,700	160,200	166,300	170,600	175,200
Other Services	44,000	44,600	45,400	45,800	45,800
Government	<u>233,300</u>	<u>242,300</u>	<u>251,000</u>	<u>257,200</u>	<u>260,500</u>
Total All Industries	1,369,100	1,417,900	1,469,400	1,521,200	1,556,900

Note: The “Total, All Industries” data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment, March 2019 Benchmark.

## Principal Employers

The following tables show the principal employers in the County and Cities by number of employees.

### PRINCIPAL EMPLOYERS

2019

#### Riverside County

<u>Employer Name</u>	<u>Number of Employees</u>
County of Riverside	21,215
March Air Reserve Base	9,000
University of California Riverside	8,735
Kaiser Permanente Riverside Medical Center	5,592
Corona-Norco Unified School District <sup>(1)</sup>	4,989
Pechanga Resort and Casino	4,683
Riverside Unified School District	4,335
Hemet Unified School District	4,302
Eisenhower Medical Center	3,743
Moreno Valley Unified School District	3,684

<sup>(1)</sup> For current information regarding the District’s employees, see “DESERT SANDS UNIFIED SCHOOL DISTRICT – Labor Relations” in the front part of this Official Statement.

Source: County of Riverside Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2019.



**PRINCIPAL EMPLOYERS**  
**2019**  
**City of Indio**

<b><u>Employer Name</u></b>	<b><u>Number of Employees</u></b>
County of Riverside	1,179
Desert Sands Unified School District <sup>(1)</sup>	1,163
Fantasy Springs Resort Casino	1,157
John F. Kennedy Memorial Hospital	630
Walmart Supercenter	265
City of Indio	246
Riverside Superior Court	176
Fiesta Ford Lincoln	157
Mathis Brothers	127
Cardenas Market	94

<sup>(1)</sup> For updated information regarding the District's employee counts, see "DESERT SANDS UNIFIED SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.

Source: City of Indio 'Comprehensive Annual Financial Report' for the year ending June 30, 2019.

**PRINCIPAL EMPLOYERS**  
**2019**  
**City of La Quinta**

<b><u>Employer Name</u></b>	<b><u>Number of Employees</u></b>
Desert Sands Unified School District <sup>(1)</sup>	2,852
La Quinta Resort and Club/PGA West	1,412
Wal-Mart Super Center	300
Costco	290
Home Depot	212
Target	180
Lowe's Home Improvement	150
Imperial Irrigation District	134
In N Out	84
Von's	83

<sup>(1)</sup> For updated information regarding the District's employee counts, see "DESERT SANDS UNIFIED SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.

Source: City of La Quinta 'Comprehensive Annual Financial Report' for the year ending June 30, 2019.

**PRINCIPAL EMPLOYERS**  
**2019**  
**City of Palm Desert**

<b><u>Employer Name</u></b>	<b><u>Number of Employees</u></b>
JW Marriot-Desert Springs Resort & DS Villas	2,304
Universal Protection Services	1,500
Securitas-Security Service USA	700
Organization of Legal Pro's	501
Sunshine Landscape	500
Costco Wholesale	250
Bighorn Golf Club	250
Whole Food Markets	150
Target	145
Tommy Bahama	125

Source: City of Palm Desert 'Comprehensive Annual Financial Report' for the year ending June 30, 2019.

## Taxable Sales

Summaries of annual taxable sales for the County and the Cities from 2015 through 2018 are shown in the following tables.

### ANNUAL TAXABLE SALES 2015 through 2018 Riverside County (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2015	37,304	\$23,537,475	55,587	\$33,166,660
2016	38,378	24,274,686	57,742	34,483,694
2017	38,967	25,856,341	58,969	36,407,460
2018	39,577	28,042,692	61,433	38,919,498

Note: Data for 2019 not yet available.

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

### ANNUAL TAXABLE SALES 2015 through 2018 City of Indio (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2015	2,315	\$774,475	3,021	\$931,695
2016	2,274	810,098	2,960	986,137
2017	2,165	817,221	2,860	1,008,118
2018	2,159	844,276	2,935	1,041,344

Note: Data for 2019 not yet available.

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

### ANNUAL TAXABLE SALES 2015 through 2018 City of La Quinta (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2015	947	\$655,580	1,414	\$739,622
2016	940	662,658	1,404	755,233
2017	935	692,154	1,430	786,136
2018	972	722,882	1,494	828,042

Note: Data for 2019 not yet available.

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

**ANNUAL TAXABLE SALES  
2015 through 2018  
City of Palm Desert  
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2015	2,277	\$1,352,855	3,219	\$1,616,175
2016	2,245	1,377,142	3,176	1,651,235
2017	2,228	1,358,839	3,140	1,661,515
2018	2,159	1,439,483	3,152	1,752,712

Note: Data for 2019 not yet available.

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

**Construction Activity**

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the County and Cities are shown in the following tables.

**BUILDING PERMITS AND VALUATIONS  
2014 through 2018  
Riverside County  
(Dollars in Thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Valuation (\$000):					
Residential	\$1,621,751	\$1,536,742	\$1,759,535	\$1,903,417	\$2,558,081
Non-residential	<u>814,990</u>	<u>911,465</u>	<u>1,346,020</u>	<u>1,433,691</u>	<u>1,959,680</u>
Total	\$2,436,741	\$2,448,207	\$3,105,555	\$3,337,108	\$4,517,761
Residential Units:					
Single family	5,007	5,007	5,662	6,265	7,540
Multiple family	<u>1,931</u>	<u>1,189</u>	<u>1,039</u>	<u>1,070</u>	<u>1,628</u>
Total	6,938	6,196	6,701	7,335	9,168

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

**BUILDING PERMITS AND VALUATIONS  
2014 through 2018  
City of Indio  
(Dollars in Thousands)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Valuation (\$000):					
Residential	\$90,669	\$48,928	\$43,614	\$74,812	\$53,596
Non-residential	<u>32,660</u>	<u>15,638</u>	<u>21,674</u>	<u>21,823</u>	<u>25,395</u>
Total	\$123,329	\$64,566	\$65,288	\$96,635	\$78,991
Residential Units:					
Single family	516	282	242	361	344
Multiple family	<u>0</u>	<u>0</u>	<u>12</u>	<u>128</u>	<u>0</u>
Total	516	282	254	489	344

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

**BUILDING PERMITS AND VALUATIONS**  
**2014 through 2018**  
**City of La Quinta**  
**(Dollars in Thousands)**

	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>
Valuation (\$000):					
Residential	\$69,420	\$52,105	\$37,691	\$40,215	\$73,472
Non-residential	<u>11,202</u>	<u>10,396</u>	<u>4,213</u>	<u>4,200</u>	<u>7,335</u>
Total	\$80,622	\$62,501	\$41,904	\$44,415	\$80,807
Residential Units:					
Single family	177	155	102	115	126
Multiple family	<u>111</u>	<u>21</u>	<u>0</u>	<u>0</u>	<u>74</u>
Total	288	176	102	115	200

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

**BUILDING PERMITS AND VALUATIONS**  
**2014 through 2018**  
**City of Palm Desert**  
**(Dollars in Thousands)**

	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>
Valuation (\$000):					
Residential	\$110,638	\$61,642	\$87,609	\$63,734	\$55,734
Non-residential	<u>24,252</u>	<u>26,488</u>	<u>34,212</u>	<u>19,123</u>	<u>53,052</u>
Total	\$134,890	\$88,130	\$121,821	\$82,857	\$108,786
Residential Units:					
Single family	199	103	77	83	60
Multiple family	<u>122</u>	<u>31</u>	<u>207</u>	<u>0</u>	<u>60</u>
Total	321	134	284	83	120

Note: Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

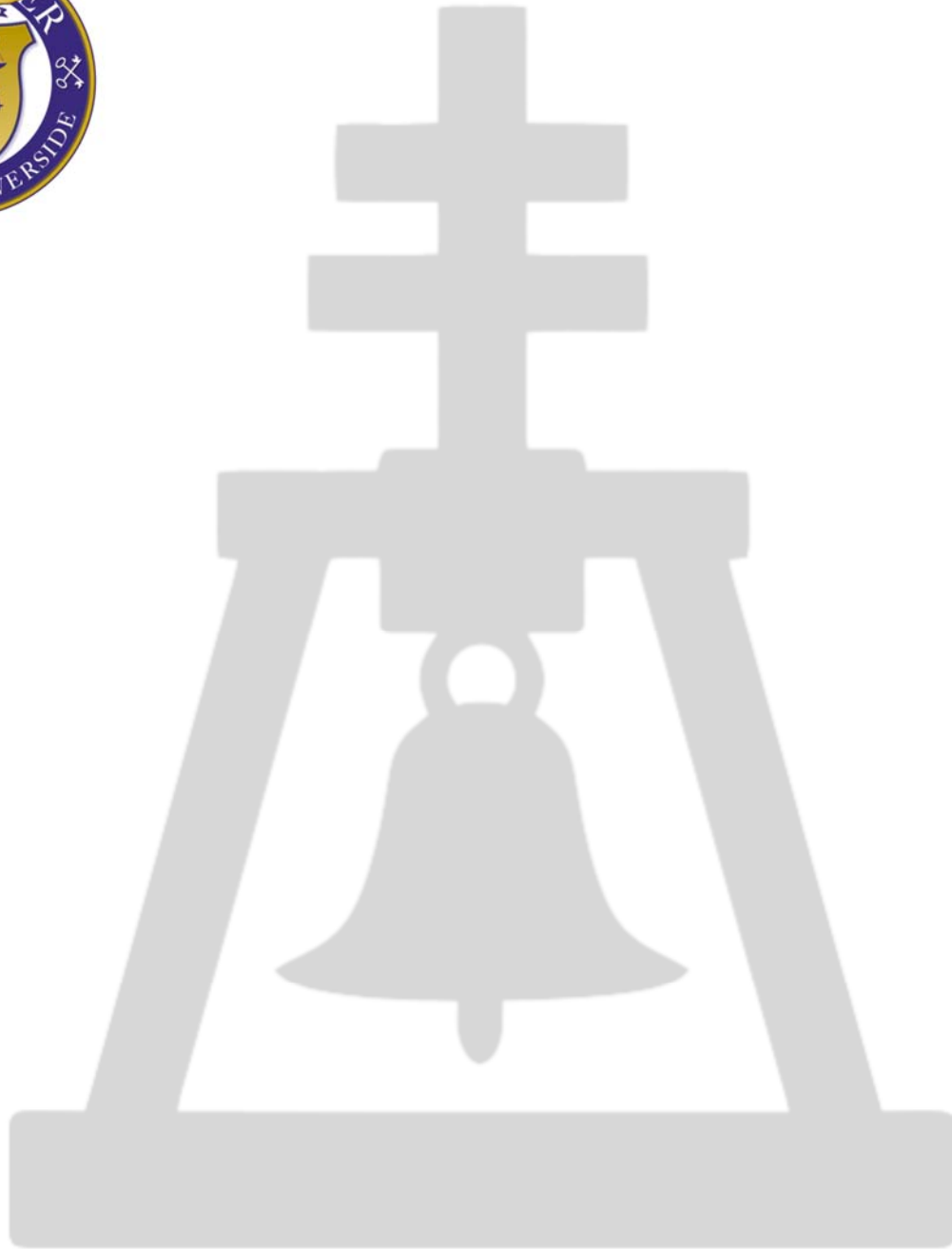
## APPENDIX E

### RIVERSIDE COUNTY INVESTMENT POOL

*The following information concerning the Riverside County Investment Pool (the “Investment Pool”) has been provided by the Treasurer, and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. The District, the Municipal Advisor and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, none of the District, the Municipal Advisor nor the Underwriter make 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 or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at <https://www.countytreasurer.org/>; however, the information presented on such website is not incorporated herein by any reference.*

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# County of Riverside

## Treasurer's Pooled Investment Fund

March 2020

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9 | Month End Holdings



Federal Reserve Chair Jerome Powell during the March 15 FOMC press conference. Digital Image. Federal Reserve Board. <https://www.youtube.com/user/FedReserveBoard>



# Treasurer's Pooled Investment Fund

## Monthly Commentary

### Multi Trillion Dollar Stimulus

Worldwide, a historic amount of stimulus was provided by nations to stem the economic impact of the Coronavirus pandemic in March. With no known treatment or vaccine, affected communities have responded by limiting social contact and those policies have caused economic activity to nosedive. U.S. Treasury rates declined to historic near zero levels and credit spreads widened, reflecting market liquidity distress. As a result, the yield on the TPIF has been decreasing and is expected to continue to drop. However, the TPIF is well positioned to weather this shock, with ample liquidity and a defensive credit posture.

The month began with the Coronavirus epidemic still concentrated mostly in China and beginning to spread through Europe, with Italy first receiving the brunt of its devastation. Recognition of the economic impact began to alarm central banks and public health officials alike, as the number of worldwide cases began to grow exponentially. By the second half of the month, the epidemic

was upgraded to a pandemic by the WHO, and the number of cases in the United States had grown to over 200,000 by month end.

The U.S. bond market rallied intensely during the first week of the month in anticipation of the Federal Reserve response. The response came in two steps. The Fed's first move was a 50 basis point cut on March 3<sup>rd</sup>, which lowered the funds rate from a 1.50 – 1.75% range to a 1.00 – 1.25% range. Followed with a second cut on March 15<sup>th</sup>, lowering the funds rate to a range of 0.00 - 0.25%. In reaction, many short Treasury securities began to trade very close to 0%, with some in the 'under 3 months' maturities range actually trading at negative yields! The 2-year Treasury yield began the month at .92% and ended at .21%. The 5-year Treasury yield began the month at .92% and ended at .35%. The Dow Jones Industrial Index began the month at 26,000, traded as low as 18,600 on March 23<sup>rd</sup>, then recovered to end the month at 22,000.

In the second step, the Federal Reserve and United States Treasury injected trillions of dollars of support and stimulus to help support the economy. The CARES Act, signed into law by the President on March 27<sup>th</sup>, provides over \$2 trillion in stimulus. In addition to taking rates to zero, the Fed injected over \$2.3 trillion in market support in the form of a number of programs, including increased purchases of Treasury securities, the establishment of a Commercial Paper Funding Facility and a Money Market Mutual Fund Liquidity Facility. Furthermore, the Fed announced programs to begin buying commercial mortgage backed securities, investment grade corporate debt, asset backed securities and tax-exempt commercial paper. All of these programs are designed to bring stability back to the United States funding markets.

Jon Christensen  
Treasurer-Tax Collector

## Treasurer's Statement

The Treasurer's Pooled Investment Fund is comprised of contributions from the county, schools, special districts, and other discretionary depositors throughout the County of Riverside. The primary objective of the treasurer shall be to **safeguard the principal** of the funds under the Treasurer's control, meet the **liquidity needs** of the depositor, and to maximize a **return on the funds** within the given parameters.

The Treasurer-Tax Collector and the Capital Markets team are committed to maintaining the highest credit ratings. The Treasurer's Pooled Investment Fund is currently rated **Aaa-bf** by **Moody's Investor Service** and **AAAF/S1** by **Fitch Ratings**, two of the nation's most trusted bond credit rating services.

Since its inception, the Treasurer's Pooled Investment Fund has been in **full compliance** with the Treasurer's Statement of Investment Policy, which is more restrictive than California Government Code 53646.

## Capital Markets Team

Jon Christensen  
Treasurer-Tax Collector

Giovane Pizano  
Chief Investment Manager

Steve Faeth  
Senior Investment Manager

Isela Licea  
Assistant Investment Manager

Hayden Nestande  
Prof Student Intern

## 6-Month Pool Performance

	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	WAM (Yrs)
Mar-20	7,300,500,274.82	7,261,665,325.07	38,834,949.75	0.53%	1.46	1.19
Feb-20	7,341,926,889.86	7,315,633,798.80	26,293,091.06	0.36%	1.80	1.16
Jan-20	7,653,741,469.47	7,633,961,510.96	19,779,958.51	0.26%	1.82	1.06
Dec-19	8,232,092,850.66	8,214,054,109.29	18,038,741.37	0.22%	1.86	1.01
Nov-19	6,701,954,259.60	6,686,612,679.23	15,341,580.37	0.23%	1.91	1.13
Oct-19	6,439,190,828.38	6,419,496,517.32	19,694,311.06	0.31%	2.03	1.13

\*Market values do not include accrued interest.

# Economy

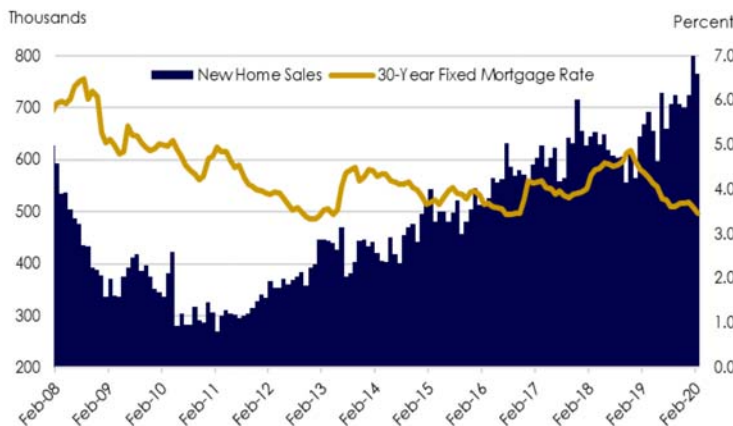
## National Economy

In February, personal income increased just over \$100 billion, or 0.6%. This jump in personal income led to increases in disposable personal income (DPI) as well as personal consumption expenditure (PCE). What is interesting about the \$13 billion increase in PCE, is when broken down we learned that there was actually a \$7.7 billion decrease in spending on goods, and an \$18.3 billion increase in spending on services- led by spending on electricity and gas. These numbers reflect the lifestyle shift many Americans adopted amid growing concern surrounding the pandemic. Rather than crowding up shopping malls and shopping for goods, many instead practiced social distancing by staying inside their homes and running up the electricity bill. ([BEA 04/02/20](#))

### Private Sector Average Hourly Earnings Y/Y



### New Home Sales SAAR



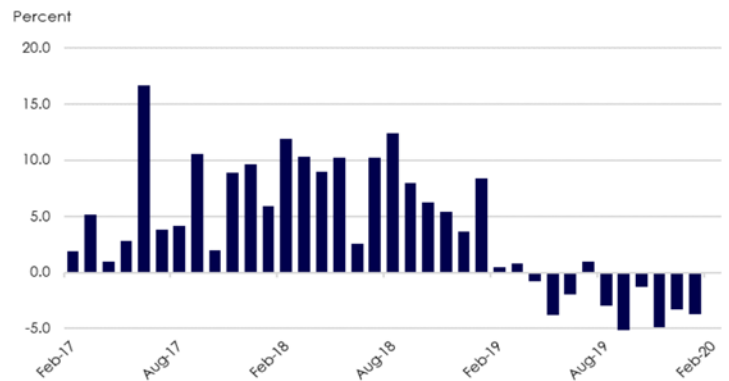
## Key Economic Indicators

## State Economy

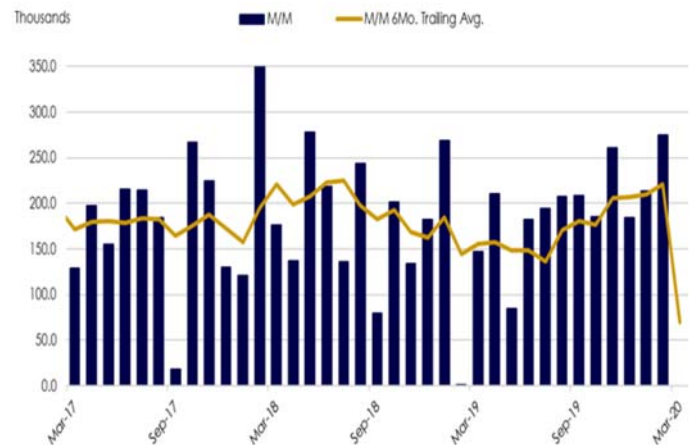
Pre-pandemic data showed California continued its historic job growth run in February. By adding nearly 30,000 non-farm payroll jobs, our state maintained the record low 3.9% unemployment rate. This can mostly be attributed to large growth in the Business and Professional Services industry, as well as strong gains in Construction. ([EDD 03/27/20](#))

- As March came, unemployment claims quickly sky rocketed, more than doubling every week and quickly reaching 1 million claims. ([CNBC 03/25/20](#))
- Amid all of this uncertainty regarding our economy and how/when we will recover, experts expect California's unemployment rate to climb above 6.0% in coming months. ([Cal Matters 03/22/20](#))

### Durable Goods Percent Chg. Y/Y



### Nonfarm Payrolls Total M/M Change SA



Release Date	Indicator	Actual	Consensus	Prior Year
03/26/2020	Real GDP - Q/Q Change	2.1%	2.1%	2.2%
03/06/2020	Unemployment Rate - Seasonally Adjusted	3.5%	3.6%	3.8%
03/06/2020	Non-Farm Payrolls - M/M Change - Thousands	273	175	20
03/11/2020	CPI - Y/Y Change	2.3%	2.2%	1.5%
03/11/2020	CPI Ex Food and Energy - Y/Y Change	2.4%	2.3%	2.1%
03/04/2020	ISM Non-Manufacturing Index (> 50 indicates growth)	57.3	54.8	59.7
03/24/2020	New Home Sales - SAAR - Thousands	765	750	667
03/05/2020	Factory Orders - M/M Change	-0.5%	-0.1%	0.1%
03/05/2020	Durable Goods Orders - New Orders - M/M Change	-0.2%	-0.2%	0.3%

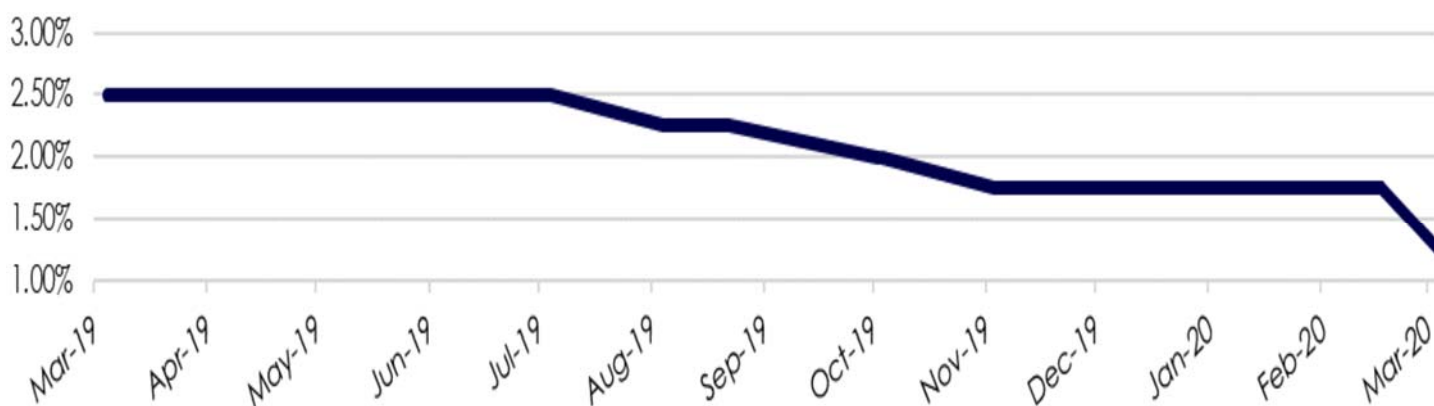
\*Note: 'Prior Year' displays final estimates of indicator values from the equivalent period of the prior year.

# Market Data

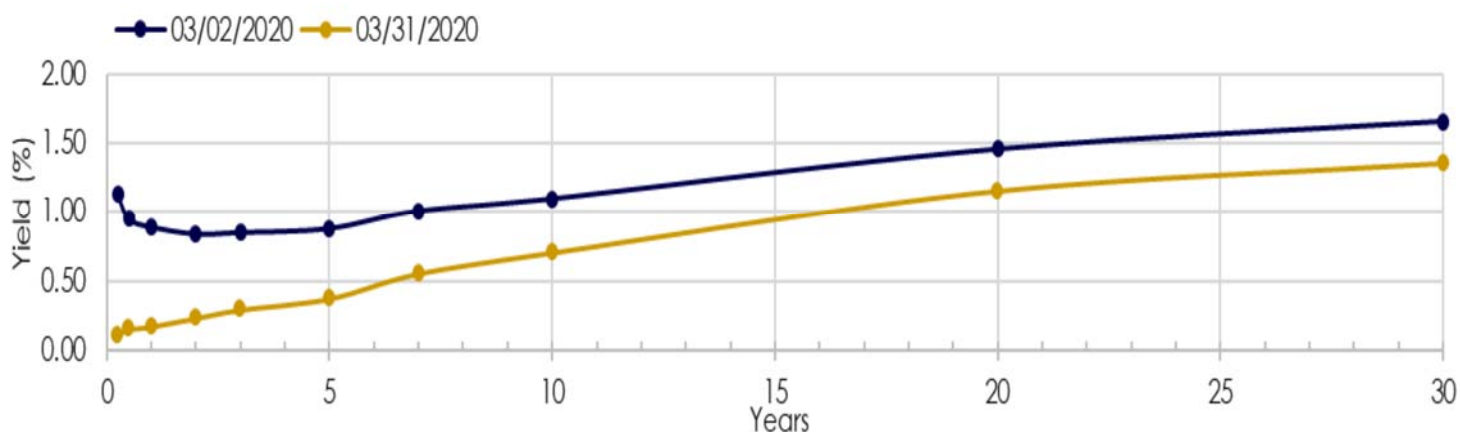
## FOMC Meeting 03/15/2020

- The FOMC stated that data received since their last meeting in January showed significant market stress. Against this backdrop, expectations for the path of the federal funds rate were adjusted sharply.
- The Federal Open Market Committee lowered the Fed Funds Target Range on 3/3/2020 to 1.00-1.25%, then lowered again on 3/15/2020 to 0.0-0.25%
- The FOMC stated in their press release that "it is prepared to use its full range of tools to support the flow of credit to households and businesses and thereby promote its maximum employment and price stability goals."

## Fed Funds Target Rate (Upper Limit)



## U.S. Treasury Curve

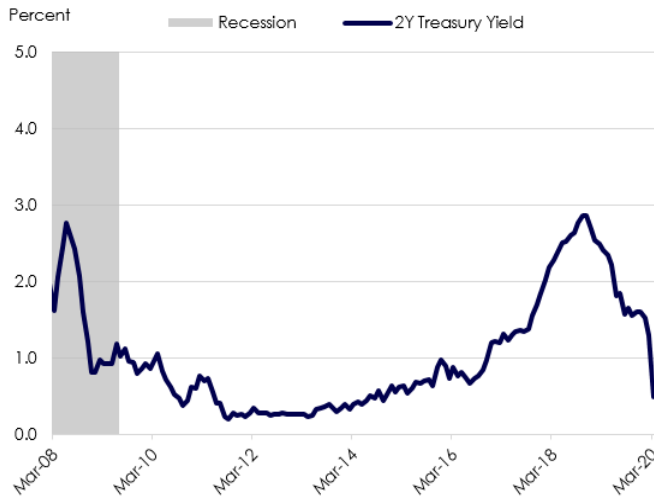


Treasury Curve Differentials	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr	30 Yr
03/31/2020 - 03/02/2020	-1.02	-0.80	-0.72	-0.61	-0.56	-0.51	-0.40	-0.31
03/31/2020	0.11	0.15	0.17	0.23	0.29	0.37	0.70	1.35
03/02/2020	1.13	0.95	0.89	0.84	0.85	0.88	1.10	1.66

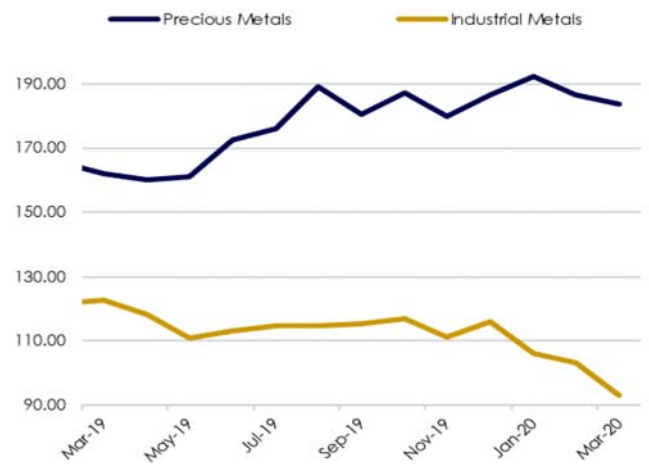
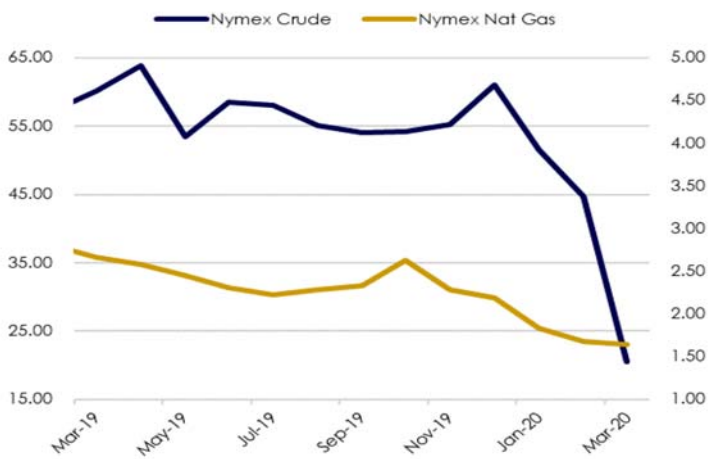
The US Treasury Curve and its values are subject to frequent change and will be updated monthly with each issued TPIF report.

# Market Data cont'd

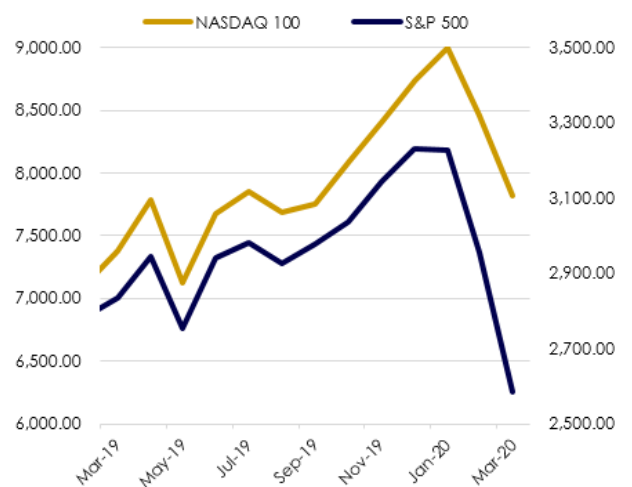
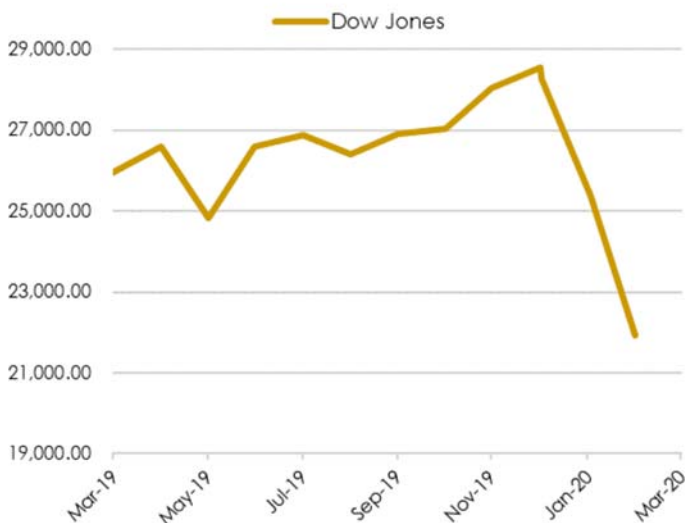
## U.S. Treasuries



## Commodities



## Stocks



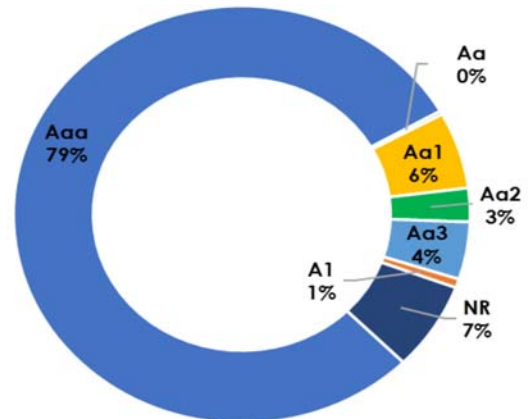
\* Values listed for commodities and stocks are in US dollars and are as of the final business day of each month.

# Portfolio Data

The County of Riverside's Treasurer's Pooled Investment Fund is currently rated **AAA-bf** by **Moody's Investor Service** and **AAAf/S1** by **Fitch Ratings**.

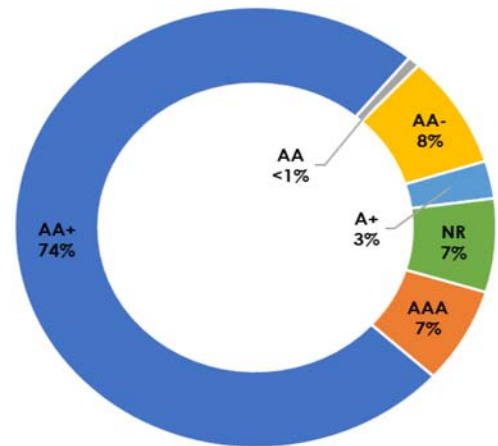
## Moody's Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
<b>Aaa</b>	5,754,699.19	100.62%	79.25%	1.40%
<b>Aa</b>	20,000.00	101.00%	0.28%	2.06%
<b>Aa1</b>	432,487.92	100.14%	5.96%	1.72%
<b>Aa2</b>	189,603.49	100.40%	2.61%	1.81%
<b>Aa3</b>	319,830.03	100.26%	4.40%	2.10%
<b>A1</b>	50,000.00	100.00%	0.69%	1.75%
<b>NR</b>	495,044.70	100.22%	6.82%	1.43%
<b>Totals:</b>	<b>7,261,665.33</b>	<b>100.53%</b>	<b>100.00%</b>	<b>1.46%</b>



## S&P Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
<b>AAA</b>	512,969.56	100.34%	7.06%	0.99%
<b>AA+</b>	5,390,596.12	100.63%	74.23%	1.45%
<b>AA</b>	59,405.15	100.15%	0.82%	2.01%
<b>AA-</b>	603,649.80	100.30%	8.31%	1.94%
<b>A+</b>	200,000.00	100.00%	2.75%	1.74%
<b>NR</b>	495,044.70	100.22%	6.82%	1.43%
<b>Totals:</b>	<b>7,261,665.33</b>	<b>100.53%</b>	<b>100.00%</b>	<b>1.46%</b>



## 12-Month Projected Cash Flow

Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matured Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
04/2020					247.80		
04/2020	2,103.35	1,289.51	813.84		1,061.64	835.97	
05/2020	1,086.86	1,939.63	(852.77)		208.87	1,519.66	
06/2020	1,044.30	1,802.91	(758.61)	549.74	-	465.04	
07/2020	1,034.18	1,472.64	(438.46)	438.46	-	126.83	
08/2020	986.77	1,164.92	(178.15)	178.15	-	333.35	
09/2020	1,085.65	1,145.14	(59.49)	59.49	-	248.98	
10/2020	1,249.55	1,343.18	(93.63)	93.63	-	187.25	
11/2020	1,205.40	1,074.70	130.70		130.70	320.10	
12/2020	2,348.61	1,073.38	1,275.23		1,405.93		
01/2021	1,078.90	1,910.81	(831.91)		574.02	367.75	
02/2021	1,005.21	1,217.34	(212.13)		361.89	15.00	
03/2021	1,497.96	1,092.59	405.37		767.26	140.26	
<b>TOTALS</b>	<b>15,726.74</b>	<b>16,526.75</b>	<b>(800.01)</b>	<b>1,319.47</b>	<b>4,758.11</b>	<b>4,560.19</b>	<b>5,942.19</b>
				<b>18.17%</b>		<b>62.80%</b>	<b>81.83%</b>

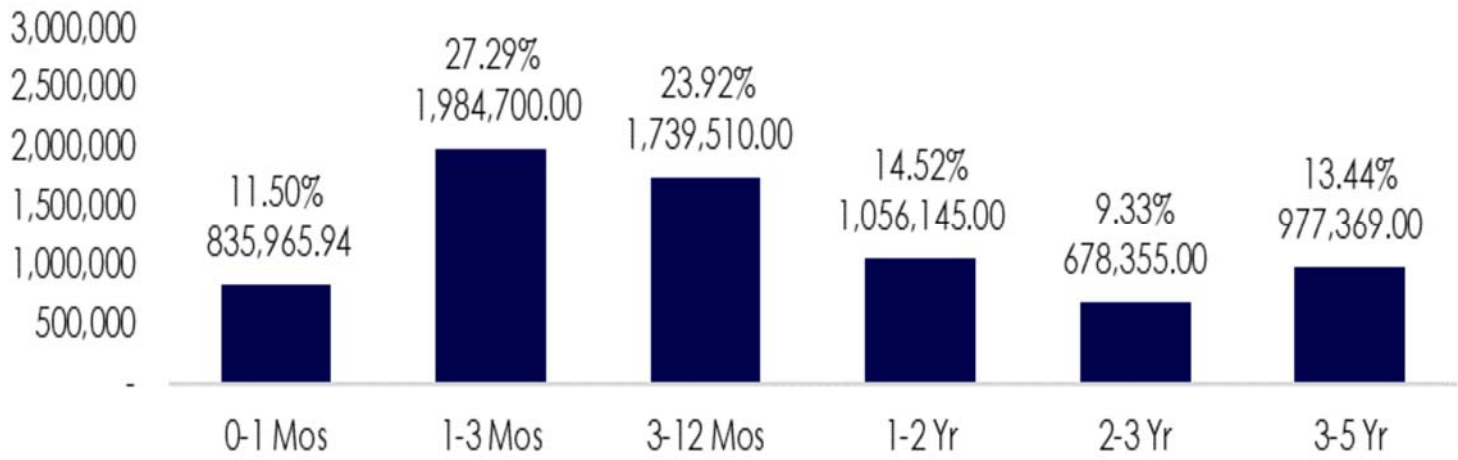
\* Values listed in Cash Flow Table are in millions of USD.

Based on historic and current financial conditions within the County, the Pool is expected to maintain sufficient liquidity of funds to cover County expenses for the next twelve months.



# Portfolio Data cont'd

## Asset Maturity Distribution (Par Value, 000's)

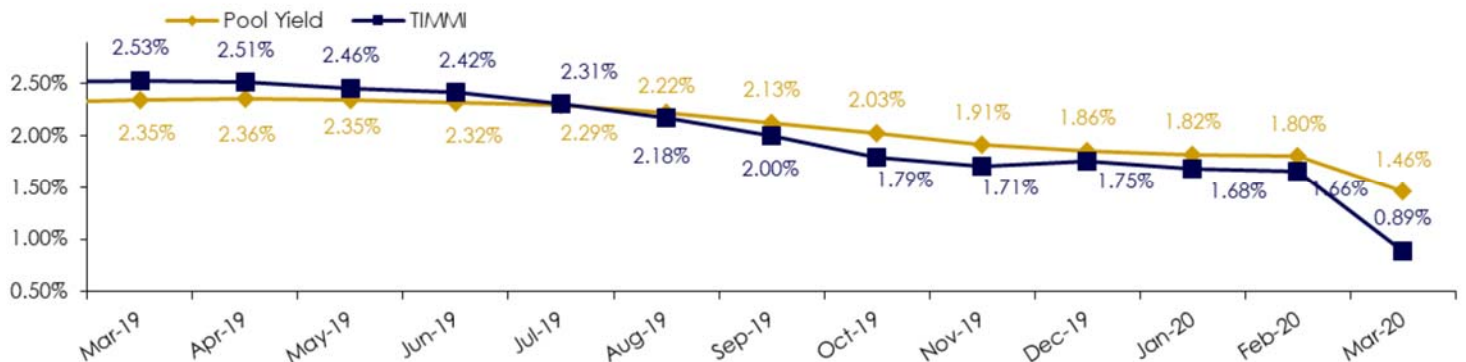


## Asset Allocation (000's)

Assets	Scheduled Book	Scheduled Market	Mkt/Book	Yield	WAL (Yr.)	Mat (Yr.)
TREAS	800,494.03	810,908.75	101.30%	1.64%	0.90	0.90
AGENCIES	4,240,686.66	4,263,331.80	100.53%	1.37%	0.86	1.22
MMKT	429,000.00	429,000.00	100.00%	0.69%	0.00	0.00
CASH	275,000.00	275,000.00	100.00%	1.44%	0.00	0.00
CALTRUST FND	4,023.98	4,023.98	100.00%	1.71%	0.00	0.00
COMM PAPER	886,127.80	890,165.58	100.46%	1.68%	0.15	0.15
CDS	100,000.00	100,000.00	100.00%	1.63%	0.48	0.72
NCDS	290,000.00	290,000.00	100.00%	1.88%	0.17	0.17
MEDIUM TERM NOTES	82,836.63	84,573.93	102.10%	2.56%	0.65	0.71
MUNI	153,456.23	153,456.23	100.00%	2.63%	1.09	1.09
LOCAL AGCY OBLIG	40.00	40.00	100.00%	2.41%	0.21	0.21
<b>Totals:</b>	<b>7,261,665.33</b>	<b>7,300,500.27</b>	<b>100.53%</b>	<b>1.46%</b>	<b>0.663</b>	<b>1.19</b>

\* For details on the Pool's composition see Month End Portfolio Holdings, pages 9 to 13.

## TIMMI



The Treasurer's Institutional Money Market Index (TIMMI) is a composite index of four AAA rated prime institutional money market funds. Their average yield is compared to the yield of the Treasurer's Pooled Investment Fund in the above graph.

# Compliance Report

## Compliance Status: Full Compliance

The Treasurer's Pooled Investment Fund was in full compliance with the County of Riverside's Treasurer's Statement of Investment Policy. The County's Statement of Investment Policy is more restrictive than California Government Code 53646. The County's Investment Policy is reviewed annually by the County of Riverside's Oversight Committee and approved by the Board of Supervisors.

Investment Category	GOVERNMENT CODE			COUNTY INVESTMENT POLICY			Actual %
	Maximum Remaining Maturity	Authorized % Limit	S&P/ Moody's	Maximum Remaining Maturity	Authorized % Limit	S&P/Moody's/ Fitch	
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	4 YEARS	15%	AA-/Aa3/AA-	2.11%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	11.02%
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	3 YEARS	2.50%	INVESTMENT GRADE	<0.01%
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	58.40%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	12.20%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	5.37%
INT'L BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INT'L FINANCE CORPORATION	NA	NA	NA	4 YEARS	20%	AA/Aa/AA	0.00%
REPURCHASE AGREEMENTS (REPO)	1 YEARS	NO LIMIT	NA	45 DAYS	40% max, 25% in term repo over 7 days	A1/P1/F1	0.00%
REVERSE REPOS	92 DAYS	20%	NA	60 DAYS	10%	NA	0.00%
MEDIUM TERM NOTES (MTNO)	5 YEARS	30%	A	3 YEARS	20%	AA/Aa2/AA	1.14%
CALTRUST SHORT TERM FUND	NA	NA	NA	DAILY LIQUIDITY	1.00%	NA	0.06%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS <sup>(1)</sup>	20%	AAA/Aaa <sup>(2)</sup>	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS	5.91%
LOCAL AGENCY INVESTMENT FUND (LAIF)	NA	NA	NA	DAILY LIQUIDITY	Max \$50 million	NA	0.00%
CASH/DEPOSIT ACCOUNT	NA	NA	NA	NA	NA	NA	3.79%

<sup>1</sup> Money Market Mutual Funds maturity may be interpreted as a weighted average maturity not exceeding 60 days.

<sup>2</sup> Or must have an investment advisor with no fewer than 5 years experience and with assets under management of \$500,000,000 USD.

**THIS COMPLETES THE REPORT REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE 53646.**

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
Fund: 1 POOL FUND											
1060: MMKT ACCTS-A/365-6											
FRGXX	FIDELITY GOV	04/01/2020	.666	.666	121,000,000.00	121,000,000.00	100.000000	121,000,000.00	0.00	.003	.003
GOFXX	FEDERATED GOV	04/01/2020	.456	.456	66,000,000.00	66,000,000.00	100.000000	66,000,000.00	0.00	.003	.003
WFFXX	WELLS FARGO GOV	04/01/2020	1.056	1.056	121,000,000.00	121,000,000.00	100.000000	121,000,000.00	0.00	.003	.003
FGTXX	GOLDMAN SACHS GOV	04/01/2020	.464	.464	121,000,000.00	121,000,000.00	100.000000	121,000,000.00	0.00	.003	.003
			.687	.687	429,000,000.00	429,000,000.00	100.000000	429,000,000.00	0.00	.003	.003
1065: CLTR-A/365-6											
CLTR	CALTRUST SHT TERM FUND	04/01/2020	1.749	1.706	4,015,944.14	4,023,976.03	100.200000	4,023,976.03	0.00	.003	.003
			1.749	1.706	4,015,944.14	4,023,976.03	100.200000	4,023,976.03	0.00	.003	.003
1080: MGD RATE-A/365-6											
CASH	BANK OF THE WEST	04/01/2020	.750	.750	25,000,000.00	25,000,000.00	100.000000	25,000,000.00	0.00	.003	.003
			.750	.750	25,000,000.00	25,000,000.00	100.000000	25,000,000.00	0.00	.003	.003
1170: MGD RATE-A/360											
CASH	PACIFIC PREMIER BANK	04/01/2020	1.530	1.530	0.00	0.00	.000000	0.00	0.00	.000	.003
CASH	FIRST REPUBLIC BANK	04/01/2020	1.515	1.515	0.00	0.00	.000000	0.00	0.00	.000	.003
CASH	UB MANAGED RATE	04/01/2020	1.505	1.505	250,000,000.00	250,000,000.00	100.000000	250,000,000.00	0.00	.003	.003
			1.505	1.505	250,000,000.00	250,000,000.00	100.000000	250,000,000.00	0.00	.003	.003
1175: LAO-SINKING FND-A/360											
LAO	US DIST COURTHOUSE	06/15/2020	2.408	2.408	40,000.00	40,000.00	100.000000	40,000.00	0.00	-.047	.208
			2.408	2.408	40,000.00	40,000.00	100.000000	40,000.00	0.00	-.047	.208
1300: U.S. TREASURY BILL											
912796Tt6	U.S. TREASURY BILL	05/07/2020	1.523	1.535	25,000,000.00	24,807,509.72	99.994000	24,998,500.00	190,990.28	.100	.101
			1.523	1.535	25,000,000.00	24,807,509.72	99.994000	24,998,500.00	190,990.28	.100	.101
1310: U.S. TREASURY BOND											
912828Y46	U.S. TREASURY BOND	07/31/2020	2.625	1.662	25,000,000.00	25,179,687.50	100.867000	25,216,750.00	37,062.50	.331	.334
912828L32	U.S. TREASURY BOND	08/31/2020	1.375	1.627	50,000,000.00	49,898,437.50	100.531000	50,265,500.00	367,062.50	.416	.419
912828YC8	U.S. TREASURY BOND	08/31/2021	1.500	1.711	25,000,000.00	24,906,250.00	101.863000	25,465,750.00	559,500.00	1.394	1.419
912828S27	U.S. TREASURY BOND	06/30/2021	1.125	1.735	25,000,000.00	24,753,906.25	101.273000	25,318,250.00	564,343.75	1.231	1.249
912828YE4	U.S. TREASURY BOND	08/31/2024	1.250	1.702	25,000,000.00	24,479,492.19	103.949000	25,987,250.00	1,507,757.81	4.269	4.422
912828L99	U.S. TREASURY BOND	10/31/2020	1.375	1.634	50,000,000.00	49,876,953.13	100.719000	50,359,500.00	482,546.87	.575	.586
9128283Q1	U.S. TREASURY BOND	01/15/2021	2.000	1.647	50,000,000.00	50,193,359.38	101.531000	50,765,500.00	572,140.62	.778	.795
912828PC8	U.S. TREASURY BOND	11/15/2020	2.625	1.638	50,000,000.00	50,455,078.13	101.586000	50,793,000.00	337,921.87	.611	.627
912828A42	U.S. TREASURY BOND	11/30/2020	2.000	1.639	50,000,000.00	50,173,828.13	101.289000	50,644,500.00	470,671.87	.656	.668
9128283Q1	U.S. TREASURY BOND	01/15/2021	2.000	1.643	50,000,000.00	50,193,359.38	101.531000	50,765,500.00	572,140.62	.778	.795
9128283Q1	U.S. TREASURY BOND	01/15/2021	2.000	1.637	25,000,000.00	25,097,656.25	101.531000	25,382,750.00	285,093.75	.778	.795
912828YV6	U.S. TREASURY BOND	11/30/2024	1.500	1.751	25,000,000.00	24,705,078.13	105.301000	26,325,250.00	1,620,171.87	4.462	4.671
9128283Q1	U.S. TREASURY BOND	01/15/2021	2.000	1.626	25,000,000.00	25,097,656.25	101.531000	25,382,750.00	285,093.75	.778	.795
9128283Q1	U.S. TREASURY BOND	01/15/2021	2.000	1.645	50,000,000.00	50,185,546.88	101.531000	50,765,500.00	579,953.12	.778	.795
912828Z22	U.S. TREASURY BOND	10/15/2020	1.625	1.649	25,000,000.00	24,995,117.19	100.809000	25,202,250.00	207,132.81	.530	.542
9128283Q1	U.S. TREASURY BOND	01/15/2021	2.000	1.606	50,000,000.00	50,201,171.88	101.531000	50,765,500.00	564,328.12	.778	.795
912828VV9	U.S. TREASURY BOND	08/31/2020	2.125	1.615	50,000,000.00	50,166,015.63	100.832000	50,416,000.00	249,984.37	.416	.419
9128283Q1	U.S. TREASURY BOND	01/15/2021	2.000	1.605	50,000,000.00	50,195,312.50	101.531000	50,765,500.00	570,187.50	.778	.795
912828L32	U.S. TREASURY BOND	08/31/2020	1.375	1.591	50,000,000.00	49,937,500.00	100.531000	50,265,500.00	328,000.00	.416	.419
912828XE5	U.S. TREASURY BOND	05/31/2020	1.500	1.555	25,000,000.00	24,995,117.19	100.231000	25,057,750.00	62,632.81	.166	.167
			1.835	1.639	775,000,000.00	775,686,523.49	101.407774	785,910,250.00	10,223,726.51	.908	.932
1425: FHLMC-Fxd-S 30/360											
3134GAVF8	FHLMC 3.5YrNc1YrE	05/08/2020	1.200	1.200	15,000,000.00	15,000,000.00	100.084000	15,012,600.00	12,600.00	.103	.104
3134GAX22	FHLMC 4YrNc6MoE	11/25/2020	1.370	1.370	25,000,000.00	25,000,000.00	100.533000	25,133,250.00	133,250.00	.642	.655
3134GAYK4	FHLMC 4YrNc1YrE	11/30/2020	1.440	1.440	10,000,000.00	10,000,000.00	100.594000	10,059,400.00	59,400.00	.658	.668
3134G9W37	FHLMC 2.5YrNc3MoB	08/10/2020	1.450	2.421	10,000,000.00	9,769,000.00	100.093000	10,009,300.00	240,300.00	.357	.362
3134GSMF9	FHLMC 5YrNc3YrE	05/26/2023	3.000	3.000	15,000,000.00	15,000,000.00	102.660000	15,399,000.00	399,000.00	2.957	3.153
3134GSQL2	FHLMC 5YrNc2YrE	06/29/2023	3.100	3.100	5,000,000.00	5,000,000.00	100.621000	5,031,050.00	31,050.00	3.041	3.247
3134GTEB5	FHLMC 5YrNc1YrE	04/24/2024	2.625	2.625	15,000,000.00	15,000,000.00	100.129000	15,019,350.00	19,350.00	3.788	4.068
3134GTGX5	FHLMC 5YrNc1YrE	04/24/2024	2.610	2.610	15,000,000.00	15,000,000.00	100.126000	15,018,900.00	18,900.00	3.789	4.068
3134GTGX5	FHLMC 5YrNc1YrE	04/24/2024	2.610	2.610	15,000,000.00	15,000,000.00	100.126000	15,018,900.00	18,900.00	3.789	4.068
3134GTKG7	FHLMC 5YrNc2YrB	05/03/2024	2.600	2.600	10,000,000.00	10,000,000.00	102.120000	10,212,000.00	212,000.00	3.815	4.093
3134GTSF1	FHLMC 3YrNc1YrE	06/10/2022	2.400	2.400	5,000,000.00	5,000,000.00	100.353000	5,017,650.00	17,650.00	2.108	2.195
3134GTYT4	FHLMC 1YrNc1YrE	07/01/2024	2.125	2.125	15,000,000.00	15,000,000.00	100.366000	15,054,900.00	54,900.00	4.023	4.255
3134GTYT4	FHLMC 1YrNc1YrE	07/01/2024	2.125	2.125	15,000,000.00	15,000,000.00	100.366000	15,054,900.00	54,900.00	4.023	4.255
3134GTY56	FHLMC 3YrNc1YrE	07/01/2022	2.000	2.000	15,000,000.00	15,000,000.00	100.377000	15,056,550.00	56,550.00	2.179	2.252
3134GTYP2	FHLMC 2.75YrNc9MoE	04/01/2022	2.000	2.000	15,000,000.00	15,000,000.00	100.000000	15,000,000.00	0.00	1.944	2.003
3134GTYT4	FHLMC 5YrNc1YrE	07/01/2024	2.125	2.125	15,000,000.00	15,000,000.00	100.366000	15,054,900.00	54,900.00	4.023	4.255
3134GTJX7	FHLMC 5YrNc1YrE	07/08/2024	2.190	2.190	50,000,000.00	50,000,000.00	100.418000	50,209,000.00	209,000.00	4.035	4.274
3134GTA37	FHLMC 5YrNc1YrE	07/15/2024	2.150	2.150	15,000,000.00	15,000,000.00	100.414000	15,062,100.00	62,100.00	4.058	4.293
3134GTA52	FHLMC 5YrNc1YrQ	07/15/2024	2.300	2.300	5,000,000.00	5,000,000.00	100.481000	5,024,050.00	24,050.00	4.043	4.293
3134GTA37	FHLMC 5YrNc1YrE	07/15/2024	2.150	2.150	5,000,000.00	5,000,000.00	100.414000	5,020,700.00	20,700.00	4.058	4.293
3134GTW82	FHLMC 5YrNc1YrQ	08/07/2024	2.150	2.150	5,000,000.00	5,000,000.00	100.528000	5,026,400.00	26,400.00	4.119	4.356
3134GUHK9	FHLMC 5YrNc1Q	10/15/2024	1.875	1.875	10,000,000.00	10,000,000.00	100.625000	10,062,500.00	62,500.00	4.295	4.545
3134GUWP1	FHLMC 4YrNc1YrB	11/27/2023	1.800	1.800	15,000,000.00	15,000,000.00	100.797000	15,119,550.00	119,550.00	3.501	3.660
3134GUTX8	FHLMC 3.75YrNc9MoB	08/28/2023	1.800	1.814	6						



Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
3134GVAU2	FHLMC 4YrNc6MoB	02/12/2024	1.800	1.800	5,000,000.00	5,000,000.00	100.397000	5,019,850.00	19,850.00	3.708	3.871
3134GVCD8	FHLMC 4YrNc6MoB	02/24/2024	1.750	1.750	5,000,000.00	5,000,000.00	100.221000	5,011,050.00	11,050.00	3.745	3.904
3134GVCZ9	FHLMC 5YrNc1YrB	02/18/2025	1.700	1.700	10,000,000.00	10,000,000.00	100.821000	10,082,100.00	82,100.00	4.656	4.890
3134GVCR7	FHLMC5YrNc1YrB	02/19/2025	1.800	1.800	5,785,000.00	5,785,000.00	100.892000	5,836,602.20	51,602.20	4.646	4.893
3136G4UG6	FHLMC 5YrNc1YrB	02/19/2025	1.770	1.770	5,000,000.00	5,000,000.00	100.757000	5,037,850.00	37,850.00	4.649	4.893
3134GVDC9	FHLMC 3YrNc9MoB	11/20/2023	1.700	1.700	10,000,000.00	10,000,000.00	100.548000	10,054,800.00	54,800.00	3.505	3.641
3134GVCP1	FHLMC 4YrNc1YrE	02/26/2024	1.600	1.605	10,000,000.00	9,998,000.00	100.919000	10,091,900.00	93,900.00	3.763	3.910
3134GVDW5	FHLMC 1YrNc3MoB	08/26/2021	1.550	1.550	10,000,000.00	10,000,000.00	100.083000	10,008,300.00	8,300.00	1.381	1.405
3134GVDP0	FHLMC 5YrNc6MoB	02/27/2025	1.700	1.700	26,400,000.00	26,400,000.00	100.309000	26,481,576.00	81,576.00	4.680	4.915
3134GVEM6	FHLMC 3YrNc6MoB	02/28/2023	1.500	1.500	10,000,000.00	10,000,000.00	100.319000	10,031,900.00	31,900.00	2.840	2.915
3134GVCY2	FHLMC 3YrNc3MoB	02/28/2023	1.800	1.800	36,000,000.00	36,000,000.00	100.141000	36,050,760.00	50,760.00	2.825	2.915
3134GVHU5	FHLMC 2YrNc3MoB	03/30/2022	1.150	1.150	35,000,000.00	35,000,000.00	100.005000	35,001,750.00	1,750.00	1.972	1.997
3134GVHE1	FHLMC 5YrNc3MoB	03/26/2025	1.400	1.410	5,000,000.00	4,997,500.00	100.050000	5,002,500.00	5,000.00	4.799	4.989
3134GVHJ0	FHLMC 5YrNc3MoB	03/26/2025	1.500	1.500	5,000,000.00	5,000,000.00	100.060000	5,003,000.00	3,000.00	4.787	4.989
3134GVHM3	FHLMC 1.5YrNc3MoB	09/30/2021	1.000	1.000	25,000,000.00	25,000,000.00	100.031000	25,007,750.00	7,750.00	1.490	1.501
			1.876	1.891	722,627,000.00	722,384,402.50	100.465395	725,990,068.17	3,605,665.67	3.221	3.380
1465: FHLMC-STEP%-S30/360											
3134G9R66	FHLMC 5YrNc3MoB	08/10/2021	1.500	1.500	15,000,000.00	15,000,000.00	100.093000	15,013,950.00	13,950.00	1.339	1.362
3134G9U47	FHLMC 5YrNc3MoB	08/25/2021	1.625	1.625	15,000,000.00	15,000,000.00	100.165000	15,024,750.00	24,750.00	1.378	1.403
3134GADP6	FHLMC 5YrNc3MoB	09/13/2021	1.625	1.625	16,500,000.00	16,500,000.00	100.216000	16,535,640.00	35,640.00	1.427	1.455
3134GAQV9	FHLMC 5YrNc6MoB	10/27/2021	1.625	1.625	15,000,000.00	15,000,000.00	100.049000	15,007,350.00	7,350.00	1.539	1.575
3134GAQV9	FHLMC 5YrNc6MoB	10/27/2021	1.625	1.625	15,000,000.00	15,000,000.00	100.049000	15,007,350.00	7,350.00	1.539	1.575
3134GASF2	FHLMC 5YrNc3MoB	10/27/2021	1.625	1.625	15,000,000.00	15,000,000.00	100.075000	15,011,250.00	11,250.00	1.537	1.575
3134GATA2	FHLMC 5YrNc3MoB	10/27/2021	1.625	1.625	10,000,000.00	10,000,000.00	100.084000	10,008,400.00	8,400.00	1.539	1.575
3134GATB0	FHLMC 5YrNc3MoB	11/10/2021	1.625	1.625	17,000,000.00	17,000,000.00	100.106000	17,018,020.00	18,020.00	1.573	1.614
3134GATA2	FHLMC 5YrNc3MoB	10/27/2021	1.625	1.625	14,000,000.00	14,000,000.00	100.084000	14,011,760.00	11,760.00	1.539	1.575
3134GAUA0	FHLMC 5YrNc3MoB	11/30/2021	1.625	1.625	4,500,000.00	4,500,000.00	100.140000	4,506,300.00	6,300.00	1.631	1.668
3134GAYF5	FHLMC 5YrNc3MoB	11/26/2021	1.625	1.625	20,000,000.00	20,000,000.00	100.150000	20,030,000.00	30,000.00	1.617	1.658
3134G92T3	FHLMC 5YrNc3MoB	08/08/2023	1.500	2.399	5,000,000.00	4,790,170.00	100.049000	5,002,450.00	212,280.00	3.235	3.356
			1.611	1.636	177,000,000.00	176,790,170.00	100.106480	177,188,470.00	398,300.00	1.560	1.597
1476: FHLMC-Var-SOFR-Q A/360											
3134GVHN1	FHLMC 1.5Yr	09/23/2021	.330	.330	25,000,000.00	25,000,000.00	99.970000	24,992,500.00	-7,500.00	1.473	1.482
3134GVHN1	FHLMC 1.5Yr	09/23/2021	.330	.330	25,000,000.00	25,000,000.00	99.970000	24,992,500.00	-7,500.00	1.473	1.482
3134GVHN1	FHLMC 1.5Yr	09/23/2021	.330	.330	25,000,000.00	25,000,000.00	99.970000	24,992,500.00	-7,500.00	1.473	1.482
3134GVHN1	FHLMC 1.5Yr	09/23/2021	.330	.330	25,000,000.00	25,000,000.00	99.970000	24,992,500.00	-7,500.00	1.473	1.482
3134GVHN1	FHLMC 1.5Yr	09/23/2021	.330	.330	25,000,000.00	25,000,000.00	99.970000	24,992,500.00	-7,500.00	1.473	1.482
3134GVHV3	FHLMC 1.5Yr	09/30/2021	.330	.330	25,000,000.00	25,000,000.00	99.970000	24,992,500.00	-7,500.00	1.496	1.501
			.330	.330	150,000,000.00	150,000,000.00	99.970000	149,955,000.00	-45,000.00	1.477	1.485
1525: FNMA-Fxd-S 30/360											
3136G3WC5	FNMA 4YrNc6MoE	07/13/2020	1.350	1.350	10,000,000.00	10,000,000.00	100.305000	10,030,500.00	30,500.00	.283	.285
3135G0T60	FNMA 3Yr	07/30/2020	1.500	1.604	10,000,000.00	9,969,700.00	100.434000	10,043,400.00	73,700.00	.329	.332
3135G0T78	FNMA 4.83Yr	10/05/2022	2.000	2.322	15,000,000.00	14,782,200.00	103.612000	15,541,800.00	759,600.00	2.409	2.515
3135G0T94	FNMA 5Yr	01/19/2023	2.375	2.495	10,000,000.00	9,944,100.00	105.390000	10,539,000.00	594,900.00	2.680	2.805
3135G0U43	FNMA 4.41Yr	09/12/2023	2.875	2.333	30,000,000.00	30,670,500.00	107.800000	32,340,000.00	1,669,500.00	3.265	3.452
3136G4TY9	FNMA 5YrNc1YrQ	10/28/2024	2.000	2.000	10,000,000.00	10,000,000.00	100.672000	10,067,200.00	67,200.00	4.315	4.581
3136G0Z87	FNMA 1.75YrNc2MoB	10/26/2021	1.800	1.800	50,000,000.00	50,000,000.00	100.338000	50,169,000.00	169,000.00	1.529	1.573
3136G4UG6	FNMA 5YrNc1YrB	02/19/2025	1.770	1.770	5,000,000.00	5,000,000.00	100.757000	5,037,850.00	37,850.00	4.649	4.893
3135G0Y49	FNMA 3YrNc6MoB	02/21/2023	1.700	1.700	15,000,000.00	15,000,000.00	100.476000	15,071,400.00	71,400.00	2.803	2.896
3135G0X24	FNMA 4.83Yr	01/07/2025	1.625	1.094	10,000,000.00	10,247,300.00	104.969000	10,496,900.00	249,600.00	4.570	4.775
			1.995	1.913	165,000,000.00	165,613,800.00	102.628515	169,337,050.00	3,723,250.00	2.428	2.539
1565: FNMA-STEP%-S 30/360											
3136G3XT7	FNMA 5YrNc6MoB	07/27/2021	1.625	1.625	15,000,000.00	15,000,000.00	100.068000	15,010,200.00	10,200.00	1.302	1.323
			1.625	1.625	15,000,000.00	15,000,000.00	100.068000	15,010,200.00	10,200.00	1.302	1.323
1576: FNMA-Var-SOFR-Q A/360											
3135G02H5	FNMA 1.5Yr	09/16/2021	.170	.170	25,000,000.00	25,000,000.00	99.970000	24,992,500.00	-7,500.00	1.446	1.463
3135G02F9	FNMA 1Yr	03/16/2021	.130	.130	25,000,000.00	25,000,000.00	99.981000	24,995,250.00	-4,750.00	.953	.959
3135G02K8	FNMA 2Yr	03/16/2022	.230	.230	25,000,000.00	25,000,000.00	99.802000	24,950,500.00	-49,500.00	1.934	1.959
			.177	.177	75,000,000.00	75,000,000.00	99.917667	74,938,250.00	-61,750.00	1.444	1.460
1700: FHLB-DISC NOTE											
313384WG0	FHLB DISC NTE	05/01/2020	1.530	1.542	25,000,000.00	24,809,812.50	99.994000	24,998,500.00	188,687.50	.084	.085
313384WM7	FHLB DISC NTE	05/06/2020	1.569	1.582	25,000,000.00	24,801,695.83	99.993000	24,998,250.00	196,554.17	.097	.099
313384XT1	FHLB DISC NTE	06/05/2020	1.550	1.562	50,000,000.00	49,608,194.44	99.987000	49,993,500.00	385,305.56	.178	.181
313384WK1	FHLB DISC NTE	05/04/2020	1.570	1.580	50,000,000.00	49,686,000.00	99.994000	49,997,000.00	311,000.00	.092	.093
313384WW5	FHLB DISC NTE	05/15/2020	1.570	1.577	50,000,000.00	49,768,861.11	99.991000	49,995,500.00	226,638.89	.121	.123
313384WW5	FHLB DISC NTE	05/15/2020	1.570	1.577	25,000,000.00	24,884,430.56	99.991000	24,997,750.00	113,319.44	.121	.123
313384WL9	FHLB DISC NTE</										

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
3130ABYZ3	FHLB 2.75YrNc9MoE	05/22/2020	1.600	1.600	5,000,000.00	5,000,000.00	100.172000	5,008,600.00	8,600.00	.141	.142
3130AC2C7	FHLB 3YrNc1YrE	08/28/2020	2.000	1.790	10,000,000.00	10,061,000.00	100.713000	10,071,300.00	10,300.00	.407	.411
3130ABZE9	FHLB 3YrNc1YrE	08/28/2020	1.650	1.650	5,000,000.00	5,000,000.00	100.570000	5,028,500.00	28,500.00	.407	.411
3130ABY34	FHLB 2.5Yr	05/29/2020	1.613	1.813	10,000,000.00	9,950,500.00	100.200000	10,020,000.00	69,500.00	.160	.162
313379Q69	FHLB 4.5 Yr	06/10/2022	2.125	2.182	7,975,000.00	7,955,620.75	103.843000	8,281,479.25	325,858.50	2.117	2.195
3130ADFW7	FHLB 3Yr	01/25/2021	2.200	2.212	15,000,000.00	14,994,900.00	101.571000	15,235,650.00	240,750.00	.802	.822
3130A0XD7	FHLB 3Yr	03/12/2021	2.375	2.484	10,000,000.00	9,968,000.00	101.930000	10,193,000.00	225,000.00	.930	.948
3130A0XD7	FHLB 3Yr	03/12/2021	2.375	2.489	10,000,000.00	9,966,500.00	101.930000	10,193,000.00	226,500.00	.930	.948
313378WG2	FHLB 4.08Yr	03/11/2022	2.500	2.619	10,000,000.00	9,954,700.00	104.152000	10,415,200.00	460,500.00	1.883	1.945
313382AX1	FHLB 4.9Yr	03/10/2023	2.125	2.716	11,750,000.00	11,432,397.50	104.805000	12,314,587.50	882,190.00	2.825	2.942
3130AE6U9	FHLB 3Yr	05/07/2021	2.700	2.725	7,650,000.00	7,644,492.00	102.637000	7,851,730.50	207,238.50	1.066	1.101
3130AE6U9	FHLB 3Yr	05/07/2021	2.700	2.703	10,000,000.00	9,999,100.00	102.637000	10,263,700.00	264,600.00	1.066	1.101
3130A8R54	FHLB 4.9YrNc1Mo	07/28/2023	1.800	2.965	3,700,000.00	3,504,196.00	100.002000	3,700,074.00	195,878.00	3.183	3.326
313378WG2	FHLB 2.91Yr	03/11/2022	2.500	2.308	30,000,000.00	30,158,100.00	104.152000	31,245,600.00	1,087,500.00	1.886	1.945
3130AHE33	FHLB 5YrNc1YrQ	10/21/2024	2.000	2.000	10,000,000.00	10,000,000.00	100.748000	10,074,800.00	74,800.00	4.296	4.562
3130AHE66	FHLB 5YrNc1YrQ	10/21/2024	2.000	2.000	10,000,000.00	10,000,000.00	100.751000	10,075,100.00	75,100.00	4.296	4.562
3130AHG64	FHLB 5YrNc1YrQ	10/28/2024	2.000	2.000	10,000,000.00	10,000,000.00	100.775000	10,077,500.00	77,500.00	4.315	4.581
3130AHG31	FHLB 5YrNc2YrQ	10/29/2024	1.800	1.800	25,000,000.00	25,000,000.00	102.044000	25,511,000.00	511,000.00	4.343	4.584
3130AHGS6	FHLB 3YrNc6MoQ	10/28/2022	2.000	2.000	50,000,000.00	50,000,000.00	100.112000	50,056,000.00	56,000.00	2.477	2.578
3130AHM59	FHLB 1.75YrNc9MoB	08/27/2024	1.875	1.886	11,200,000.00	11,194,400.00	100.495000	11,255,440.00	61,040.00	4.220	4.411
3130A94N8	FHLB 1.6 YrNc2MoB	08/25/2021	1.700	1.735	25,000,000.00	24,985,000.00	100.151000	25,037,750.00	52,750.00	1.375	1.403
3130AHMM2	FHLB 4.5YrNc1YrA	06/11/2024	1.850	1.850	15,000,000.00	15,000,000.00	100.873000	15,130,950.00	130,950.00	3.996	4.200
3130AHN66	FHLB 5YrNc1YrA	12/16/2024	1.940	1.940	10,000,000.00	10,000,000.00	100.951000	10,095,100.00	95,100.00	4.454	4.715
3130AHQR7	FHLB 5YrNc1YrA	12/23/2024	1.970	1.970	5,000,000.00	5,000,000.00	100.755000	5,037,750.00	37,750.00	4.470	4.734
3130AHVZ3	FHLB 5YrNc6MoQ	01/13/2025	2.000	2.000	10,000,000.00	10,000,000.00	100.347000	10,034,700.00	34,700.00	4.521	4.792
3130AHWB5	FHLB 5YrNc6MoQ	01/21/2025	2.000	2.000	10,000,000.00	10,000,000.00	100.364000	10,036,400.00	36,400.00	4.543	4.814
3130AHWB5	FHLB 5YrNc6MoQ	01/21/2025	2.000	2.000	10,000,000.00	10,000,000.00	100.364000	10,036,400.00	36,400.00	4.543	4.814
3130AHXA6	FHLB 2.5YrNc6MoB	07/22/2022	1.750	1.750	50,000,000.00	50,000,000.00	100.348000	50,174,000.00	174,000.00	2.246	2.310
3130A8XW8	FHLB 2.58YrNc1MoQ	08/25/2022	1.801	1.801	25,000,000.00	25,000,000.00	100.168000	25,042,000.00	42,000.00	2.335	2.403
3130AJ5F2	FHLB 5YrNc1Yr	02/12/2025	1.750	1.750	7,250,000.00	7,250,000.00	100.032000	7,252,320.00	2,320.00	4.633	4.874
3130AJA33	FHLB 3YrNc3MoB	02/28/2023	1.800	1.800	15,000,000.00	15,000,000.00	100.110000	15,016,500.00	16,500.00	2.825	2.915
3130AJF95	FHLB 5YrNc1YrA	03/24/2025	1.300	1.300	10,000,000.00	10,000,000.00	99.907000	9,990,700.00	-9,300.00	4.806	4.984
3130AJB65	FHLB 4YrNc6Mo	03/25/2024	1.620	1.620	6,200,000.00	6,200,000.00	100.256000	6,215,872.00	15,872.00	3.842	3.986
3130AJAX7	FHLB 4YrNc1Yr	03/25/2024	1.550	1.550	10,300,000.00	10,300,000.00	100.573000	10,359,019.00	59,019.00	3.847	3.986
3130AJC23	FHLB 5YrNc6MoA	03/25/2025	1.500	1.500	5,000,000.00	5,000,000.00	100.068000	5,003,400.00	3,400.00	4.783	4.986
			1.939	1.965	491,025,000.00	490,511,256.25	101.092902	496,391,422.25	5,880,166.00	2.621	2.736
1767: FHLB-Var-M A/360											
3130A9FU0	FHLB 4Yr	09/22/2020	1.074	1.074	10,000,000.00	10,000,000.00	100.084000	10,008,400.00	8,400.00	.474	.479
3130A9FM8	FHLB 4Yr	09/22/2020	1.074	1.074	15,000,000.00	15,000,000.00	100.084000	15,012,600.00	12,600.00	.474	.479
3130A9FR7	FHLB 4Yr	09/28/2020	1.091	1.091	10,000,000.00	10,000,000.00	100.060000	10,006,000.00	6,000.00	.491	.496
3130A9FR7	FHLB 4Yr	09/28/2020	1.091	1.091	15,000,000.00	15,000,000.00	100.060000	15,009,000.00	9,000.00	.491	.496
3130AJ2N8	FHLB 1.16Yr	05/03/2021	1.505	1.581	25,000,000.00	24,978,764.50	99.912000	24,978,000.00	-764.50	1.078	1.090
			1.223	1.249	75,000,000.00	74,978,764.50	100.018667	75,014,000.00	35,235.50	.681	.688
1770: FHLB-Var-Q A/360											
3130A8NF6	FHLB 3Yr	07/01/2020	2.034	2.034	25,000,000.00	25,000,000.00	100.037000	25,009,250.00	9,250.00	.497	.252
3130AJAS8	FHLB 1.25Yr	05/26/2021	1.557	1.557	75,000,000.00	75,000,000.00	99.977000	74,982,750.00	-17,250.00	1.138	1.153
3130AHVS9	FHLB 6Mo	09/11/2020	1.628	1.314	50,000,000.00	50,075,000.00	99.990000	49,995,000.00	-80,000.00	.441	.449
3130AHVS9	FHLB 6Mo	09/11/2020	1.628	1.313	50,000,000.00	50,075,000.00	99.990000	49,995,000.00	-80,000.00	.441	.449
			1.652	1.495	200,000,000.00	200,150,000.00	99.991000	199,982,000.00	-168,000.00	.709	.688
1786: FHLB-Var-SOFR-Q A/360											
3130AJEC9	FHLB 6Mo	09/11/2020	.095	.095	25,000,000.00	25,000,000.00	99.932000	24,983,000.00	-17,000.00	.444	.449
			.095	.095	25,000,000.00	25,000,000.00	99.932000	24,983,000.00	-17,000.00	.444	.449
1900: FFCB-DISC NOTE											
313312YL8	FFCB DISC NTE	06/22/2020	1.530	1.545	25,000,000.00	24,755,625.00	99.984000	24,996,000.00	240,375.00	.224	.227
313312YF1	FFCB DISC NTE	06/17/2020	1.570	1.585	25,000,000.00	24,768,861.11	99.985000	24,996,250.00	227,388.89	.210	.214
			1.550	1.565	50,000,000.00	49,524,486.11	99.984500	49,992,250.00	467,763.89	.217	.220
1925: FFCB-Fxd-S 30/360											
3133EGSA4	FFCB 4YrNc1YrA	08/24/2020	1.320	1.320	10,000,000.00	10,000,000.00	100.000000	10,000,000.00	0.00	.397	.400
3133EGVK8	FFCB 4YrNc1YrA	09/21/2020	1.350	1.350	10,000,000.00	10,000,000.00	100.000000	10,000,000.00	0.00	.473	.477
3133EGXX8	FFCB 4YrNc1YrA	10/13/2020	1.340	1.340	15,000,000.00	15,000,000.00	100.014000	15,002,100.00	2,100.00	.526	.537
3133EHUL5	FFCB 3Yr	08/10/2020	1.890	1.890	5,000,000.00	5,000,000.00	100.555000	5,027,750.00	27,750.00	.358	.362
3133EHJ95	FFCB 3Yr	10/26/2020	1.750	1.760	20,000,000.00	19,994,000.00	100.858000	20,171,600.00	177,600.00	.560	.573
3133EH6X6	FFCB 4Yr	01/12/2022	2.200	2.365	10,000,000.00	9,938,000.00	103.098000	10,309,800.00	371,800.00	1.728	1.786
3133EJEM7	FFCB 3Yr	03/01/2021	2.500	2.501	10,000,000.00	9,999					

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
3133ELMD3	FFCB 3YrNc1YrA	02/10/2023	1.600	1.600	15,000,000.00	15,000,000.00	100.687000	15,103,050.00	103,050.00	2.777	2.866
3133ELNF7	FFCB 3.5YrNc1YrA	08/18/2023	1.640	1.640	10,000,000.00	10,000,000.00	100.803000	10,080,300.00	80,300.00	3.269	3.384
3133ELLW2	FFCB 2YrNc3MoA	05/05/2022	1.610	1.615	20,000,000.00	19,998,000.00	100.010000	20,002,000.00	4,000.00	2.058	2.096
3133ELNJ9	FFCB 4YrNc2YrA	02/28/2024	1.550	1.550	5,000,000.00	5,000,000.00	101.847000	5,092,350.00	92,350.00	3.781	3.915
3133ELOF4	FFCB 5YrNc3MoA	03/03/2025	1.750	1.750	10,000,000.00	10,000,000.00	100.118000	10,011,800.00	11,800.00	4.690	4.926
3133ELQE7	FFCB 5YrNc1YrA	03/03/2025	1.640	1.640	10,000,000.00	10,000,000.00	100.608000	10,060,800.00	60,800.00	4.705	4.926
3133ELQU1	FFCB 4.25YrNc3MoA	06/03/2024	1.670	1.682	10,000,000.00	9,995,000.00	100.094000	10,009,400.00	14,400.00	3.992	4.178
3133ELQV9	FFCB 4.5YrNc3MoA	09/03/2024	1.700	1.700	7,900,000.00	7,900,000.00	100.116000	7,909,164.00	9,164.00	4.237	4.430
3133ELQV9	FFCB 4.5YrNc3MoA	09/03/2024	1.700	1.700	5,000,000.00	5,000,000.00	100.116000	5,005,800.00	5,800.00	4.237	4.430
3133ELQU1	FFCB 4.25YrNc3MoA	06/03/2024	1.670	1.676	5,000,000.00	4,998,750.00	100.094000	5,004,700.00	5,950.00	3.993	4.178
3133ELQU1	FFCB 4.25YrNc3Mo	06/03/2024	1.670	1.686	21,000,000.00	20,986,350.00	100.094000	21,019,740.00	33,390.00	3.992	4.178
3133ELQP2	FFCB 4YrNc6MoA	03/04/2024	1.600	1.600	15,000,000.00	15,000,000.00	100.246000	15,036,900.00	36,900.00	3.785	3.929
3133ELTL8	FFCB 1.5YrNc3MoA	09/16/2021	.750	.784	10,000,000.00	9,995,000.00	99.982000	9,998,200.00	3,200.00	1.447	1.463
3133ELTC8	FFCB 5YrNc1YrA	03/17/2025	1.125	1.125	10,000,000.00	10,000,000.00	100.223000	10,022,300.00	22,300.00	4.810	4.964
3133ELUX0	FFCB 2YrNc1YrA	03/30/2022	1.000	1.000	25,000,000.00	25,000,000.00	100.024000	25,006,000.00	6,000.00	1.975	1.997
3133ELUX0	FFCB 2YrNc1YrA	03/30/2022	1.000	1.000	25,000,000.00	25,000,000.00	100.024000	25,006,000.00	6,000.00	1.975	1.997
			1.730	1.747	544,437,000.00	544,243,801.24	100.958069	549,653,079.53	5,409,278.29	2.295	2.383
1930: FFCB-Var-M A/360											
3133EFT56	FFCB 4Yr	04/01/2020	1.816	1.816	25,000,000.00	25,000,000.00	100.000000	25,000,000.00	0.00	.003	.003
3133EFZ29	FFCB 4Yr	04/13/2020	1.042	1.042	50,000,000.00	50,000,000.00	100.012000	50,006,000.00	6,000.00	.036	.036
3133EGCE3	FFCB 5Yr	05/25/2021	1.217	1.217	10,000,000.00	10,000,000.00	100.270000	10,027,000.00	27,000.00	1.144	1.151
3133EGCE3	FFCB 5Yr	05/25/2021	1.217	1.217	10,000,000.00	10,000,000.00	100.270000	10,027,000.00	27,000.00	1.144	1.151
3133EG4C6	FFCB 3.9Yr	01/18/2022	.852	.345	15,000,000.00	15,139,095.00	100.062000	15,009,300.00	-129,795.00	1.768	1.803
3133EJDG1	FFCB 5Yr	02/21/2023	.994	.994	15,000,000.00	15,000,000.00	99.569000	14,935,350.00	-64,650.00	2.818	2.896
3133EJJE0	FFCB 3.5Yr	10/04/2021	1.381	1.381	15,000,000.00	15,000,000.00	100.011000	15,001,650.00	1,650.00	1.484	1.512
			1.216	1.162	140,000,000.00	140,139,095.00	100.004500	140,006,300.00	-132,795.00	.826	.842
1936: FFCB-Var-SOFR-Q A/360											
3133EKT63	FFCB 2Yr	09/24/2021	.150	.150	15,000,000.00	15,000,000.00	99.657000	14,948,550.00	-51,450.00	1.461	1.485
3133EK6V3	FFCB 3Yr	11/07/2022	.320	.320	25,000,000.00	25,000,000.00	100.105000	25,026,250.00	26,250.00	2.535	2.605
3133EK6V3	FFCB 3Yr	11/07/2022	.320	.320	25,000,000.00	25,000,000.00	100.105000	25,026,250.00	26,250.00	2.535	2.605
3133EK6V3	FFCB 3Yr	11/07/2022	.320	.320	25,000,000.00	25,000,000.00	100.105000	25,026,250.00	26,250.00	2.535	2.605
3133EK6V3	FFCB 3Yr	11/07/2022	.320	.320	15,000,000.00	15,000,000.00	100.105000	15,015,750.00	15,750.00	2.535	2.605
3133EK6V3	FFCB 3Yr	11/07/2022	.320	.320	25,000,000.00	25,000,000.00	100.105000	25,026,250.00	26,250.00	2.535	2.605
3133ELCX0	FFCB 3Yr	12/09/2022	.330	.330	9,000,000.00	9,000,000.00	99.954000	8,995,860.00	-4,140.00	2.625	2.693
3133ELCX0	FFCB 3Yr	12/09/2022	.330	.330	24,000,000.00	24,000,000.00	99.954000	23,988,960.00	-11,040.00	2.625	2.693
3133ELCX0	FFCB 3Yr	12/09/2022	.330	.330	24,000,000.00	24,000,000.00	99.954000	23,988,960.00	-11,040.00	2.625	2.693
3133ELCX0	FFCB 3Yr	12/09/2022	.330	.330	24,000,000.00	24,000,000.00	99.954000	23,988,960.00	-11,040.00	2.625	2.693
3133ELCX0	FFCB 3Yr	12/09/2022	.330	.330	14,000,000.00	14,000,000.00	99.954000	13,993,560.00	-6,440.00	2.625	2.693
3133ELCX0	FFCB 3Yr	12/09/2022	.330	.330	24,000,000.00	24,000,000.00	99.954000	23,988,960.00	-11,040.00	2.625	2.693
			.315	.315	249,000,000.00	249,000,000.00	100.005847	249,014,560.00	14,560.00	2.514	2.580
1950: FMAC-Fxd-S 30/360											
3132X03B5	FAMCA 4.9Yr	06/30/2023	2.850	2.964	10,000,000.00	9,947,900.00	106.489000	10,648,900.00	701,000.00	3.060	3.249
3132X04F5	FAMCA 2.91Yr	07/23/2021	2.840	2.864	10,000,000.00	9,993,300.00	102.959000	10,295,900.00	302,600.00	1.272	1.312
31422BEP1	FAMCA 1.08Yr	05/29/2020	2.430	2.430	25,000,000.00	25,000,000.00	100.430000	25,107,500.00	107,500.00	.160	.162
31422BRH5	FAMCA 1.08YrNc4MoB	01/13/2021	1.700	1.700	40,000,000.00	40,000,000.00	100.051000	40,020,400.00	20,400.00	.773	.789
31422BWE6	FMARC 1YrNc6MoB	03/18/2021	.720	.720	25,000,000.00	25,000,000.00	100.011000	25,002,750.00	2,750.00	.959	.964
			1.851	1.873	110,000,000.00	109,941,200.00	100.977682	111,075,450.00	1,134,250.00	.942	.971
1965: FMAC-Var-M A/360											
3132X0AT8	FAMCA 2.5 Yr	06/02/2020	1.721	.715	25,000,000.00	25,063,500.00	100.001000	25,000,250.00	-63,250.00	.169	.173
3132X0S77	FAMCA 3Yr	04/23/2021	.997	.997	25,000,000.00	25,000,000.00	99.962000	24,990,500.00	-9,500.00	1.050	1.063
3132X0U90	FAMCA 3Yr	05/10/2021	.883	.883	10,000,000.00	10,000,000.00	99.926000	9,992,600.00	-7,400.00	1.095	1.110
31422BWC0	FAMCA 1.6Yr	05/28/2021	.682	.682	25,000,000.00	25,000,000.00	99.977000	24,994,250.00	-5,750.00	1.152	1.159
			1.104	.808	85,000,000.00	85,063,500.00	99.973647	84,977,600.00	-85,900.00	.826	.835
1986: FMAC-Var-SOFR-Q A/360											
31422BWG1	FMAC 1Yr FLOATING	03/25/2021	.120	.120	25,000,000.00	25,000,000.00	99.980000	24,995,000.00	-5,000.00	.983	.984
			.120	.120	25,000,000.00	25,000,000.00	99.980000	24,995,000.00	-5,000.00	.983	.984
2350: MUNIS-S 30/360											
419792JH0	HAWAII STATE	04/01/2020	1.660	1.660	5,055,000.00	5,055,000.00	100.000000	5,055,000.00	0.00	.003	.003
76222RUM2	RHODE ISLAND STATE	05/01/2020	1.625	1.520	2,660,000.00	2,670,719.80	100.403000	2,670,719.80	0.00	.084	.085
3733845L6	GEORGIA STATE	07/01/2020	3.000	1.370	6,825,000.00	7,254,770.25	106.297000	7,254,770.25	0.00	.250	.252
419792NF9	HAWAII STATE	10/01/2020	1.370	1.319	2,250,000.00	2,254,320.00	100.192000	2,254,320.00	0.00	.496	.504
13063DAC2	STATE OF CALIFORNIA	04/01/2021	2.625	2.011	14,400,000.00	14,688,720.00	102.005000	14,688,720.00	0.00	.974	1.003
76222RWT5	RHODE ISLAND ST & PROV	04/01/2020	2.750	2.451	3,065,000.00	3,082,378.55	100.567000	3,082,378.55	0.00	.003	.003
76222RWU2	RHODE ISLAND ST & PROV	04/01/2021	2.750	2.551	3,150,000.00	3,167,766.00	100.564000	3,167,766.00	0.00	.970	1.003
13063DGA0	STATE OF CALIFORNIA	04/01/2021	2.800	2.799	16,000,000.00	16,000,640.00	100.004000	16,000,640.00	0.00	.969	1.003
13063DAC2	STATE OF CALIFORNIA	04/01/2021	2.625	2.850	1,795,000.00	1,784,301.80	99.404000	1,784,301.80	0.00	.970	

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
89233GFC5	TOYOTA MOTOR CORP	06/12/2020	1.860	1.877	20,000,000.00	19,816,066.67	99.720000	19,944,000.00	127,933.33	.196	.200
16677JEJ1	CHEVRON CORP	05/18/2020	1.700	1.712	20,000,000.00	19,856,444.44	99.830278	19,966,055.56	109,611.12	.129	.132
03785DE44	APPLE	05/04/2020	1.630	1.639	10,000,000.00	9,944,308.33	99.880833	9,988,083.33	43,775.00	.092	.093
63763PEJ4	NATL SEC CLEARING CORP	05/18/2020	1.680	1.690	28,000,000.00	27,830,133.33	99.830278	27,952,477.78	122,344.45	.129	.132
03785DE69	APPLE	05/06/2020	1.620	1.629	50,000,000.00	49,736,750.00	99.873611	49,936,805.56	200,055.56	.097	.099
63763PE88	NATL SEC CLEARING CORP	05/08/2020	1.670	1.679	25,000,000.00	24,865,472.22	99.866389	24,966,597.22	101,125.00	.102	.104
63763PDP1	NATL SEC CLEARING CORP	04/23/2020	1.670	1.678	20,000,000.00	19,907,222.22	99.920556	19,984,111.11	76,888.89	.062	.063
63763PE62	NATL SEC CLEARING CORP	05/06/2020	1.670	1.679	50,000,000.00	49,740,222.22	99.873611	49,936,805.56	196,583.34	.097	.099
63763PEF2	NATL SEC CLEARING CORP	05/15/2020	1.670	1.679	30,000,000.00	29,833,000.00	99.841111	29,952,333.33	119,333.33	.121	.123
30229AE55	EXXON MOBIL	05/14/2020	1.590	1.598	100,000,000.00	99,509,750.00	99.844722	99,844,722.22	334,972.22	.119	.121
03785DJ98	APPLE	09/09/2020	1.630	1.647	50,000,000.00	49,481,569.44	99.373889	49,686,944.44	205,375.00	.436	.444
03785DEL6	APPLE	05/20/2020	1.570	1.577	25,000,000.00	24,884,430.56	99.823056	24,955,763.89	71,333.33	.135	.137
89233GH41	TOYOTA MOTOR CORP	08/04/2020	1.690	1.704	40,000,000.00	39,662,000.00	99.513889	39,805,555.56	143,555.56	.339	.345
89233GE51	TOYOTA MOTOR CORP	05/05/2020	1.680	1.687	60,000,000.00	59,750,800.00	99.877222	59,926,333.33	175,533.33	.094	.096
03785DEL6	APPLE	05/20/2020	1.570	1.577	25,000,000.00	24,890,972.22	99.823056	24,955,763.89	64,791.67	.135	.137
03785DF35	APPLE	06/03/2020	1.570	1.578	25,000,000.00	24,875,708.33	99.755000	24,938,750.00	63,041.67	.173	.175
30229AFQ7	EXXON MOBIL	06/24/2020	1.610	1.619	25,000,000.00	24,861,361.11	99.673333	24,918,333.33	56,972.22	.229	.233
30229AFQ7	EXXON MOBIL	06/24/2020	1.610	1.619	20,000,000.00	19,889,088.89	99.673333	19,934,666.67	45,577.78	.229	.233
63763PEP9	NATL SEC CLEARING CORP	06/23/2020	1.570	1.578	20,000,000.00	19,895,333.33	99.677222	19,935,444.44	40,111.11	.226	.230
			<b>1.672</b>	<b>1.683</b>	<b>892,000,000.00</b>	<b>886,127,797.20</b>	<b>99.794348</b>	<b>890,165,583.33</b>	<b>4,037,786.13</b>	<b>.151</b>	<b>.154</b>
<b>3130: CORP-Fxd-S 30/360</b>											
594918BG8	MICROSOFT CORP	11/03/2020	2.000	2.543	25,000,000.00	24,649,750.00	100.220000	25,055,000.00	405,250.00	.577	.595
478160BS2	JOHNSON & JOHNSON	03/01/2021	1.650	2.646	12,000,000.00	11,663,160.00	100.379000	12,045,480.00	382,320.00	.901	.918
478160BS2	JOHNSON & JOHNSON	03/01/2021	1.650	2.625	12,969,000.00	12,617,410.41	100.379000	13,018,152.51	400,742.10	.901	.918
478160BS2	JOHNSON & JOHNSON	03/01/2021	1.650	3.149	10,295,000.00	9,955,059.10	100.379000	10,334,018.05	378,958.95	.898	.918
594918BG8	MICROSOFT CORP	11/03/2020	2.000	2.912	10,100,000.00	9,929,411.00	100.220000	10,122,220.00	192,809.00	.576	.595
053015AD5	AUTOMATIC DATA	09/15/2020	2.250	1.812	13,976,000.00	14,021,841.28	100.165000	13,999,060.40	-22,780.88	.456	.460
			<b>1.895</b>	<b>2.568</b>	<b>84,340,000.00</b>	<b>82,836,631.79</b>	<b>100.277367</b>	<b>84,573,930.96</b>	<b>1,737,299.17</b>	<b>.692</b>	<b>.708</b>
<b>4070: CD/TD-Q A/365</b>											
48128LU72	JP MORGAN	11/16/2020	1.648	1.648	25,000,000.00	25,000,000.00	100.000000	25,000,000.00	0.00	.619	.630
48128LV22	JP MORGAN	11/20/2020	1.623	1.623	75,000,000.00	75,000,000.00	100.000000	75,000,000.00	0.00	.631	.641
			<b>1.629</b>	<b>1.629</b>	<b>100,000,000.00</b>	<b>100,000,000.00</b>	<b>100.000000</b>	<b>100,000,000.00</b>	<b>0.00</b>	<b>.628</b>	<b>.638</b>
<b>4500: NCD-Mat A/360</b>											
06052TH52	BANK OF AMERICA	05/20/2020	1.840	1.840	50,000,000.00	50,000,000.00	100.000000	50,000,000.00	0.00	.134	.137
90333VW55	US BANK	05/22/2020	1.760	1.760	50,000,000.00	50,000,000.00	100.000000	50,000,000.00	0.00	.140	.142
89114NBH7	TORONTO DOMINION	05/22/2020	1.820	1.820	50,000,000.00	50,000,000.00	100.000000	50,000,000.00	0.00	.140	.142
90333VX21	US BANK	06/03/2020	1.750	1.750	50,000,000.00	50,000,000.00	100.000000	50,000,000.00	0.00	.172	.175
89114NDM4	TORONTO DOMINION	06/12/2020	1.850	1.850	20,000,000.00	20,000,000.00	100.000000	20,000,000.00	0.00	.196	.200
90333VX88	US BANK NA	05/14/2020	1.780	1.780	20,000,000.00	20,000,000.00	100.000000	20,000,000.00	0.00	.118	.121
06052TH78	BANK OF AMERICA	07/01/2020	1.850	1.850	50,000,000.00	50,000,000.00	100.000000	50,000,000.00	0.00	.247	.252
			<b>1.806</b>	<b>1.806</b>	<b>290,000,000.00</b>	<b>290,000,000.00</b>	<b>100.000000</b>	<b>290,000,000.00</b>	<b>0.00</b>	<b>.165</b>	<b>.168</b>
<b>Total Fund</b>			<b>1.475</b>	<b>1.462</b>	<b>7,272,044,944.14</b>	<b>7,261,665,325.07</b>	<b>100.391298</b>	<b>7,300,500,274.82</b>	<b>38,834,949.75</b>	<b>1.158</b>	<b>1.199</b>
<b>Grand Total</b>											
			<b>1.475</b>	<b>1.462</b>	<b>7,272,044,944.14</b>	<b>7,261,665,325.07</b>	<b>100.391298</b>	<b>7,300,500,274.82</b>	<b>38,834,949.75</b>	<b>1.158</b>	<b>1.199</b>





The Mission Inn, Downtown Riverside. Digital Image. *The Mission Inn*. <http://www.missioninn.com/about-en.html>.



COUNTY OF RIVERSIDE  
TREASURER-TAX COLLECTOR  
CAPITAL MARKETS

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