

# PRELIMINARY OFFICIAL STATEMENT DATED JULY 1, 2020

NEW ISSUE -- FULL BOOK-ENTRY

Insured Rating: S&P: "AA"  
Underlying Rating: S&P: "A"  
See "RATINGS" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from State of California personal income taxes. Special Counsel observes that interest on the Certificates is not excluded from gross income for federal income tax purposes. See "TAX MATTERS".

**\$48,600,000\***  
**2020 REFUNDING CERTIFICATES OF PARTICIPATION**  
**Evidencing the Direct, Undivided Fractional Interests of the**  
**Owners Thereof in Lease Payments to be Made by the**  
**HESPERIA UNIFIED SCHOOL DISTRICT**  
**to the Hesperia School District Financing Corporation**  
**(Federally Taxable)**

**Dated: Date of Delivery**

**Due: February 1, as shown on inside cover**

**Purpose.** The captioned refunding certificates of participation (the "Certificates") are being executed and delivered to (a) prepay and defease certain outstanding certificates of participation which were executed and delivered in 2013 for the purpose of financing various educational improvements of the Hesperia Unified School District (the "District"), and (b) pay certain costs of executing and delivering the Certificates, which includes the premiums to acquire a certificate insurance policy and a reserve fund surety insurance policy to be credited to the Reserve Fund (defined herein). See "REFINANCING PLAN" herein.

**Security.** The Certificates evidence direct, undivided fractional interests of the owners thereof in Lease Payments (the "Lease Payments") to be made by the District for the use and occupancy of certain real property and improvements under a Lease Agreement dated as of July 1, 2020 (the "Lease Agreement"), between the District and the Hesperia School District Financing Corporation, a California nonprofit public benefit corporation (the "Corporation"). The Lease Payments will be payable from any source of available funds of the District, subject to the provisions of the Lease Agreement described herein regarding abatement and defeasance. The District is required under the Lease Agreement to take such action as may be necessary to include all Lease Payments coming due in each of its annual budgets during the term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. The semiannual Lease Payments payable under the Lease Agreement will comprise the interest and principal represented by the Certificates. The Certificates will be secured under a Trust Agreement dated as of July 1, 2020, among the District, the Corporation and U.S. Bank National Association, Los Angeles, California, as trustee (the "Trustee"). Under an Assignment Agreement dated as of July 1, 2020, between the Corporation and the Trustee, the Lease Payments will be irrevocably assigned to the Trustee for the benefit of the Owners of the Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES." See also "RISK FACTORS."

**Interest.** Interest represented by the Certificates will be payable on February 1 and August 1 of each year, commencing February 1, 2021. See "THE CERTIFICATES."

**Book-Entry Only.** When executed and delivered, the Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only. Beneficial owners of Certificates will not receive physical certificates representing the Certificates purchased, but will receive a credit balance on the books of the nominees of such purchasers who are participants of DTC. See "THE CERTIFICATES – Book-Entry Only System" and "APPENDIX F – Book-Entry Only System."

**Payments.** Principal and interest due with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit those payments to its participants for subsequent disbursement to the beneficial owners of the Certificates as described in this Official Statement. See "THE CERTIFICATES – Book-Entry Only System" and "APPENDIX F – Book-Entry Only System."

**Prepayment.** The Certificates are subject to optional prepayment and mandatory prepayment from net proceeds of insurance or condemnation. See "THE CERTIFICATES – Prepayment."

**Limited Obligation.** NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, THE CORPORATION, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR OTHERWISE, OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

**Certificate Insurance.** Concurrently with the issuance of the Certificates, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as APPENDIX H to this Official Statement. See "CERTIFICATE INSURANCE" and "APPENDIX H."



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**MATURITY SCHEDULE**  
(See inside cover)

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This cover page contains information for quick reference only. It is not a summary of all the provisions of the Certificates. Investors must read the entire official statement to obtain information essential in making an informed investment decision. See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth in this Official Statement, in evaluating the investment quality of the Certificates.

The Certificates are offered when, as and if executed and delivered, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Certain legal matters will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel and for the Underwriter by Kutak Rock LLP, Denver, Colorado, as Underwriter's Counsel. It is anticipated that the Certificates will be available for delivery to DTC on or about July 28, 2020.



Capital  
Markets

The date of this Official Statement is \_\_\_\_\_, 2020.

\*Preliminary; subject to change.

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

## MATURITY SCHEDULE\*

BASE CUSIP†: 428061

<b>Maturity Date (February 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP†</b>
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*\*Preliminary; subject to change.*

*† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services (CGS) which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CUSIP® Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the District, the Corporation nor the Underwriter take any responsibility for the accuracy of such numbers.*

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Certificate owner and the District or the Underwriter.

**No Offering Except by This Official Statement.** No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Information in Official Statement.** The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

**Estimates and Forecasts.** 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 herein, 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 information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

**Involvement of Underwriter.** The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a 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.

**Stabilization of and Changes to Offering Prices.** The Underwriter may overallocate or take other steps that stabilize or maintain the market prices of the Certificates at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Certificates to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

**Certificate Insurance.** Assured Guaranty Municipal Corp. (“AGM” or the “Certificate Insurer”) makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, the Certificate Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Certificate Insurer, supplied by the Certificate Insurer and presented under the heading “CERTIFICATE INSURANCE” and in APPENDIX H.

**Document Summaries.** All summaries of the Trust Agreement, the Site Lease, the Lease Agreement, the Assignment Agreement, the Escrow Agreement or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

**No Securities Laws Registration.** The Certificates have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Certificates have not been registered or qualified under the securities laws of any state.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Certificates will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the Corporation, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

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

**HESPERIA UNIFIED SCHOOL DISTRICT  
SAN BERNARDINO COUNTY  
STATE OF CALIFORNIA**

**BOARD OF TRUSTEES**

Eric Swanson, *President*  
Ella "Lee" Rogers, *Vice President*  
Mark Dundon, *Clerk*  
Cody Gregg, *Member*  
Marcy Kittinger, *Member*

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**DISTRICT ADMINISTRATION**

David Olney, *Superintendent*  
Dr. George Landon, *Assistant Superintendent, Business Services*

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**PROFESSIONAL SERVICES**

**FINANCIAL ADVISOR**

Isom Advisors, A Division of Urban Futures, Inc.  
*Walnut Creek, California*

**SPECIAL COUNSEL AND DISCLOSURE COUNSEL**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

**UNDERWRITER'S COUNSEL**

Kutak Rock LLP  
*Denver, Colorado*

**BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT**

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

**ESCROW VERIFICATION**

Causey Demgen & Moore P.C.  
*Denver, Colorado*



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## OFFICIAL STATEMENT

**\$48,600,000\***

### **2020 REFUNDING CERTIFICATES OF PARTICIPATION**

Evidencing the Direct, Undivided Fractional Interests of the  
Owners Thereof in Lease Payments to be Made by the  
**HESPERIA UNIFIED SCHOOL DISTRICT**  
to the Hesperia School District Financing Corporation  
(Federally Taxable)

## INTRODUCTION

This Official Statement (which includes the cover page and Appendices hereto) (collectively, the “**Official Statement**”), provides certain information concerning the sale and delivery of the refunding certificates of participation captioned above (the “**Certificates**”), which evidence the direct, undivided fractional interests of the Owners thereof in lease payments (the “**Lease Payments**”) to be made by the Hesperia Unified School District (the “**District**”) pursuant to a Lease Agreement dated as of July 1, 2020 (the “**Lease Agreement**”), between the District and the Hesperia School District Financing Corporation (the “**Corporation**”).

All capitalized terms used in this Official Statement but not otherwise defined have the meanings set forth in the Trust Agreement (defined below) or the Lease Agreement. See “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

**Use of Proceeds.** The net proceeds of the sale of the Certificates will be used for the following purposes:

- (i) to provide funds to refinance the District’s lease payment obligations in connection with the outstanding Certificates of Participation (2013 School Facility Bridge Restructuring Program), Series A (the “**2013A Certificates**”) and the outstanding Certificates of Participation (2013 School Facility Bridge Restructuring Program), Series B (Taxable) (the “**2013B Certificates**”) and together, with the 2013A Certificates, the “**2013 Certificates**”) which were executed and delivered on April 1, 2013 in the original aggregate principal amount of \$42,520,000 and \$10,175,000, respectively; and
- (ii) to pay certain costs incurred in connection with the execution and delivery of the Certificates, which include, but are not limited to, the payment of the premiums to acquire a certificate insurance policy and a reserve fund surety insurance policy (the “**Reserve Policy**”) to be credited to the reserve fund for the Certificates (the “**Reserve Fund**”), both to be issued by Assured Guaranty Municipal Corp. (“**AGM**” or the “**Certificate Insurer**”).

See “REFINANCING PLAN.”

**Security and Sources of Payment.** The Certificates evidence and represent the direct, undivided fractional interests of the registered owners (the “**Owners**”) thereof in the Lease Payments to be made by the District for the right to use certain real property and improvements (the “**Leased Property**”), to be leased by the District from the Corporation under the Lease Agreement. See “THE LEASED PROPERTY” herein.

The District and the Corporation will enter into a Site Lease dated as of July 1, 2020 (the “**Site Lease**”). Under the Site Lease, the District (as owner of the Leased Property) will lease the Leased Property to the Corporation in consideration of the payment of an upfront rental payment (to be derived from the net proceeds of the Certificates) which is sufficient to refinance the 2013 Certificates as described herein and pay related costs of issuance. Concurrently, the District and the Corporation will enter into the Lease Agreement, under which the District will sublease the Leased Property back from the Corporation in consideration of the payment of semiannual Lease Payments by the District.

The Certificates will be executed and delivered under a Trust Agreement dated as of July 1, 2020 (the “**Trust Agreement**”), among the District, the Corporation and U.S. Bank National Association, Los Angeles, California, as trustee (the “**Trustee**”).

The Trustee and the Corporation will enter into an Assignment Agreement dated as of July 1, 2020 (the “**Assignment Agreement**”), under which the Corporation will assign to the Trustee for the benefit of the Certificate Owners substantially all of the Corporation’s right, title and interest in and to the Lease Agreement, including its right to receive the Lease Payments due under the Lease Agreement, provided that the Corporation will retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement.

See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.”

**COVID-19 Statement.** The COVID-19 pandemic has resulted in a public health crisis that is fluid and unpredictable, with financial and economic impacts that cannot be predicted. As such, investors are cautioned that the District cannot at this time predict the impacts that the COVID-19 pandemic may have on its operations and finances, property values in the District, and economic activity in the District, the State and the nation. For more disclosure regarding the COVID-19 emergency, see “RISK FACTORS – Infectious Disease Outbreak and COVID-19 Global Pandemic.”

**LIMITED OBLIGATION.** NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, THE CORPORATION, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR OTHERWISE, OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

**Covenant to Appropriate; Abatement.** The District is required under the Lease Agreement to take such action as may be necessary to include all Lease Payments coming due in each of its annual budgets during the term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. The semiannual Lease Payments payable under the Lease Agreement will comprise the interest and principal represented by the Certificates. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.”

However, the Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the District's right to use and possession of the Leased Property or any portion thereof. If the Lease Payments are abated under the Lease Agreement, and are not paid from alternative sources as described in this Official Statement, the Certificate Owners would receive less than the full amount of principal and interest represented by the Certificates. To the extent proceeds of rental interruption insurance are available or there are moneys in the Reserve Fund with respect to the Certificates (as described below), Lease Payments (or a portion thereof) may be made from those sources during periods of abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement" and "RISK FACTORS."

**Certificate Insurance Policy; Reserve Policy.** Concurrently with the issuance of the Certificates, the Certificate Insurer will issue the Certificate Insurance Policy for the Certificates. The Certificate Insurance Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Certificate Insurance Policy included as APPENDIX H to this Official Statement. Concurrently with the issuance of the Certificates, the Certificate Insurer will also issue the Reserve Policy to be credited to the Reserve Fund.

The Certificate Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law. See "CERTIFICATE INSURANCE" and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Reserve Fund."

**Legal Matters.** The execution and delivery of the Certificates is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California ("**Special Counsel**"), to be delivered in substantially the form attached hereto as APPENDIX D. Jones Hall, A Professional Law Corporation, San Francisco, California, is also serving as Disclosure Counsel to the District ("**Disclosure Counsel**"). Kutak Rock LLP, Denver, Colorado, is serving as counsel to the Underwriter ("**Underwriter's Counsel**"). *Payment of the fees of Special Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon execution and delivery of the Certificates.*

**Tax Matters.** Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Special Counsel, under existing law, the portion of the Lease Payments designated as and comprising interest and received by the Owners of the Certificates is not excluded from gross income for federal income tax purposes. Also, in the opinion of Special Counsel, such interest will be exempt from State of California personal income taxes. See "TAX MATTERS" and APPENDIX D hereto.

**Continuing Disclosure.** The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of the Certificates and executed by the District (the "**Continuing Disclosure Certificate**"). The form of the Continuing Disclosure Certificate is included in APPENDIX E hereto. See "CONTINUING DISCLOSURE."

**Summaries of Documents.** The summaries or references to the Site Lease, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Escrow Agreement, the Continuing Disclosure Certificate and other documents, agreements and statutes referred to in this Official Statement, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute.

## REFINANCING PLAN

### Prepayment of 2013 Certificates

The 2013A Certificates and the 2013B Certificates were executed and delivered on April 1, 2013 in original aggregate principal amounts of \$42,520,000 and \$10,175,000, respectively. In connection with the 2013 Certificates, the District entered into a Lease Agreement dated as of April 1, 2013, between the District and the Hesperia School District Financing Corporation (the “**2013 Lease Agreement**”). The 2013 Certificates evidence and represent the lease payments which are payable by the District under the 2013 Lease Agreement (the “**2013 Lease Payments**”). The 2013 Lease Payments and the 2013 Certificates are subject to prepayment on any date on or after February 1, 2023, at a prepayment price (the “**Prepayment Price**”) equal to 100% of the principal components of the 2013 Lease Payments to be prepaid, plus accrued interest on such prepaid principal components to the prepayment date.

A portion of the outstanding 2013 Certificates are expected be refunded with Certificate proceeds (the “**Refunded 2013 Certificates**”), as identified in the following tables. The Refunded 2013 Certificates will be called for prepayment in full on February 1, 2023 (the “**Prepayment Date**”) at the Prepayment Price.

#### HESPERIA UNIFIED SCHOOL DISTRICT Identification of Refunded 2013A Certificates\*

Maturities to be Refunded (May 1)	CUSIP <sup>†</sup>	Principal Amount Prepaid	Prepayment Price (% of Par Amount Redeemed)
2030T	428061 CK9	\$1,830,000	100.0%
2033T	428061 CM5	6,085,000	100.0
2038T	428061 CN3	14,115,000	100.0
2043T	428061 CP8	20,490,000	100.0
TOTAL		\$42,520,000	

*\*Preliminary; subject to change.*

*† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. Neither the District nor the Underwriter is responsible for the accuracy of such data.*

*T: Term Certificates.*

#### HESPERIA UNIFIED SCHOOL DISTRICT Identification of Refunded 2013B Certificates\*

Maturities to be Refunded (May 1)	CUSIP <sup>†</sup>	Principal Amount Prepaid	Prepayment Price (% of Par Amount Redeemed)
2024	428061 CV5	\$905,000	100.0%
2029T	428061 DA0	6,210,000	100.0
TOTAL		\$7,115,000	

*\*Preliminary; subject to change.*

*† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. Neither the District nor the Underwriter is responsible for the accuracy of such data.*

*T: Term Certificates.*

## Deposits in Escrow Fund

The District will deliver certain proceeds of the Certificates together with other available funds to U.S. Bank National Association, Los Angeles, California, as escrow agent (the "**Escrow Agent**"), for deposit into an escrow fund (the "**Escrow Fund**") established under an Escrow Agreement (the "**Escrow Agreement**") between the District and the Escrow Agent. The Escrow Agent will invest the amounts on deposit in the Escrow Fund in federal securities and use such amounts to pay the principal and interest represented by the Refunded 2013 Certificates to and including the Prepayment Date, and to prepay the Refunded 2013 Certificates in full on the Prepayment Date.

As a result of the deposit of funds with the Escrow Agent on the date of execution and delivery of the Certificates, the Refunded 2013 Certificates and the 2013 Lease Payments will be legally defeased and will be payable solely from amounts held for that purpose under the Escrow Agreement, and will cease to be secured by Lease Payments due pursuant to the Lease Agreement relating to the 2013 Certificates.

*Amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the Refunded 2013 Certificates, and will not be available for the payment of principal and interest represented by the Certificates.*

Sufficiency of the amounts and investments held in the Escrow Fund for the purpose of paying the principal, interest and Prepayment Price with respect to the 2013 Certificates will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the "**Verification Agent**"). See "ESCROW VERIFICATION" herein.

## SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Certificates are as follows:

### **Sources of Funds**

Principal Amount of Certificates  
Plus/Less Original Issue Premium/Discount  
**Total Sources**

### **Uses of Funds**

Escrow Fund  
Delivery Costs<sup>(1)</sup>  
**Total Uses**

*(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Special Counsel, Disclosure Counsel, Financial Advisor, Trustee, Escrow Agent, Verification Agent, Rating Agency, Certificate Insurance and Reserve Policy premiums, and certain other costs.*

## THE LEASED PROPERTY

### Description and Location

Lease Payments will be made by the District under the Lease Agreement for the use and possession of the Leased Property. The Leased Property consists of the real property (land and improvements) which constitute the Hesperia Junior High School (the “**Junior High School**”) and the Hesperia High School (the “**High School**”) and together with the Junior High School, the “**Leased Property**”).

The Junior High School consists of approximately 37 acres of land, and was originally built in 1965. The insured value of the buildings constituting the Junior High School is approximately \$22 million.

The High School consists of approximately 60 acres of land, and was originally built in 1984. The insured value of the buildings constituting the High School is approximately \$32 million.

The spread of a novel coronavirus (“**COVID-19**”) has caused a global pandemic and limited public access to certain District-owned facilities including the Leased Property. These mitigation measures will not cause Lease Payments to be abated under the Lease Agreement. See “RISK FACTORS - Infectious Disease Outbreak and COVID-19 Global Pandemic.

### Fair Rental Value

The Lease Agreement provides that the Lease Payments payable in a Fiscal Year (as defined in the Trust Agreement) will constitute the total rental for the Leased Property for that Fiscal Year, and will be paid by the District in each Fiscal Year for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Fiscal Year.

The Corporation and the District have agreed and determined in the Lease Agreement that the total Lease Payments represent the fair rental value of the Leased Property. In making such determination, consideration has been given to the estimated fair market value of the Leased Property, other obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Leased Property, and the benefits therefrom which will accrue to the District and the general public.

### Substitution

The Lease Agreement provides that, upon compliance with certain conditions specified therein, the District may substitute alternate real property for all or any portion of the Leased Property or to release a portion of the Leased Property from the Lease Agreement. See “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement.”

## THE CORPORATION

The Hesperia School District Financing Corporation was incorporated on August 20, 1986, as a California nonprofit public benefit corporation. The Corporation was formed for the specific purpose of benefiting the District by participating with the District in projects to maintain, improve and assist the educational activities of the District by acquiring, purchasing, selling, leasing or otherwise transferring real and personal property in connection with such projects, as well as assisting the District in financing, acquiring and constructing such projects. The directors of the Corporation receive no compensation. The Corporation has no financial liability to the Owners of the Certificates with respect to the payment of Lease Payments by the District or with respect to the performance by the District of the other agreements and covenants it is required to perform. The Board of Directors of the Corporation adopted a resolution approving participation in the refinancing plan described in this Official Statement on April 6, 2020.

## THE CERTIFICATES

### Certificate Terms

The Certificates evidence and represent direct, fractional undivided interests of the Owners thereof in the principal and interest components of Lease Payments to be made by the District pursuant to the Lease Agreement.

The Certificates are dated the date of original delivery thereof and will be executed and delivered, without coupons, in denominations of \$5,000 or any integral multiple thereof, except that no Certificate shall represent principal payable in more than one year. The interest components evidenced by the Certificates will be due and payable semiannually on February 1 and August 1 of each year (each, a "**Payment Date**"), commencing February 1, 2021.

Each Certificate shall be dated as of the date of its execution, and interest represented thereby shall be payable from the Payment Date next preceding the date of execution thereof, (a) unless it is executed following the close of business on the fifteenth day of the month preceding each Payment Date, whether or not such fifteenth day is a Business Day (each, a "**Record Date**") and on or before the next succeeding Payment Date, in which event interest represented thereby shall be payable from such Payment Date, or (b) unless it is executed on or before the first Record Date, in which event interest represented thereby shall be payable from the day when the Certificates, duly executed by the Trustee, are delivered to the Underwriter; *provided, however*, that if, as of the date of any Certificate, interest represented by such Certificate is in default, interest represented thereby shall be payable from the Payment Date to which interest has previously been paid or made available for payment with respect to such Certificate. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Lease Payments evidenced by the Certificates will be payable no later than the fifteenth day of the month preceding each Payment Date (in the event that any payment due under the Lease Agreement is due on a day which is not a Business Day, such payment shall be made on the next Business Day), the principal components of which will evidence interest components calculated at the rates per annum, all as set forth on the inside cover page of this Official Statement.

## Prepayment\*

The Certificates are subject to prepayment as described below. Capitalized terms used below and not defined have the meanings assigned to such terms in the Trust Agreement. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

**Optional Prepayment.** The Certificates maturing on or before February 1, 20\_\_, are not subject to optional prepayment before their respective stated maturities. The Certificates maturing on or after February 1, 20\_\_, are subject to prepayment prior to their respective stated maturities, at the option of the District, in whole, or in part among maturities on such basis as designated by the District and by lot within any one maturity on February 1, 20\_\_, or on any date thereafter, upon payment of a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

**Mandatory Prepayment from Sinking Fund Prepayments.** The Certificates maturing on February 1, 20\_\_ (the “**Term Certificates**”) are subject to mandatory sinking fund prepayment by lot on February 1 in each year as set forth in the following table, from the principal components of the Lease Payments required to be paid with respect to each of such dates, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium, as follows:

Term Certificates Maturing February 1, 20__	
Sinking Fund Prepayment Date (February 1)	Certificates Principal Amount To Be Prepaid

Notwithstanding the foregoing, if some but not all of the above-referenced Term Certificates are prepaid under the Trust Agreement, the aggregate principal amount of said Term Certificates to be prepaid in each year as reflected in the foregoing tables shall be reduced by the aggregate principal amount of Term Certificates so prepaid, to be allocated among sinking fund installments on a pro rata basis in integral multiples of \$5,000 such that the resulting amount of principal represented by the applicable Term Certificates subject to prepayment on any date is equal to the aggregate principal components of the Lease Payments coming due and payable on such date.

**Mandatory Prepayment from Net Proceeds.** The Certificates are subject to mandatory prepayment, in whole or in part, on any Business Day, among maturities on a pro rata basis and by lot within a maturity, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments under the Lease Agreement and Trust Agreement, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

\* Preliminary; subject to change.

***Purchase In Lieu of Prepayment.*** In lieu of prepayment of Certificates as provided in the Trust Agreement and described above, amounts held by the Trustee for such prepayment may, at the written request of the District, be applied by the Trustee to the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid.

***Notice of Prepayment.*** The Trustee shall give notice of the prepayment of the Certificates on behalf and at the expense of the District by first class mail with postage prepaid, to the Securities Depositories and to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books, at least 30 days but not more than 60 days prior to the prepayment date. Such notice must:

- (a) state the prepayment date and prepayment price;
- (b) state the numbers or maturities of the Certificates to be prepaid, if less than all of the then Outstanding Certificates are to be called for prepayment;
- (c) if a Certificate is to be prepaid only in part, identify the portion of the Certificate which is to be prepaid;
- (d) require that such Certificates be surrendered on the prepayment date at the corporate trust office of the Trustee for prepayment at said prepayment price;
- (e) state that interest represented by the Certificates will not accrue after the prepayment date; and
- (f) state that on the prepayment date the principal represented by each Certificate will become due and payable, together with accrued interest represented thereby to the prepayment date, and that from and after such date interest represented thereby ceases to accrue and be payable.

Neither the failure to receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

**While the Certificates are subject to the book-entry system, the Trustee will not be required to give any notice of prepayment to any person or entity other than DTC and to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System and, at the District's written direction, other securities depositories and information services. DTC and the DTC Participants shall have sole responsibility for providing any such notice of prepayment to the Beneficial Owners of the Certificates to be prepaid. Any failure at DTC to notify any DTC Participant, or any failure of a DTC Participant to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayment or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment described below under "Effect of Prepayment."**

***Rescission of Prepayment Notice.*** The District may rescind any prepayment of the Certificates, and notice thereof, for any reason on any date prior to the date fixed for such prepayment by causing written notice of the rescission to be given to the Owners of the Certificates so called for prepayment. Notice of rescission of prepayment shall be given in the

same manner in which the notice of prepayment was originally given. The actual receipt of notice of such rescission shall not be a condition precedent to rescission and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission. The District, the Corporation and the Trustee shall have no liability to the Owners of any Certificates, or any other party, as a result of the District's decision to rescind a prepayment of any Certificates pursuant to the Trust Agreement.

***Selection of Certificates.*** Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for prepayment as directed by the District, and if not so directed, in inverse order of maturity. If less than all Certificates of any maturity are called for prepayment, the Trustee shall select Certificates of such maturity for prepayment by lot. For the purposes of such selection, Certificates shall be deemed to be composed of \$5,000 portions, and any such portion may be separately prepaid.

***Effect of Prepayment.*** Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Lease Payment Fund, the Certificates shall become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the corporate trust office of the Trustee, said Certificates shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and become payable. All moneys held by the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, and shall be held by the Trustee in cash uninvested.

### **Book-Entry Only System**

The Certificates will be executed and delivered as fully registered certificates, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Certificates (the "**Beneficial Owners**") in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in this Official Statement) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. See "APPENDIX F – Book-Entry Only System." If the book-entry-only system is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement, as described below.

### **Transfer and Exchange of Certificates**

While the Certificates are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See "APPENDIX F – Book-Entry Only System." During any period in which the Certificates are not subject to DTC's book-entry system, their exchange and transfer will be governed by provisions of the Trust Agreement summarized in "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

## LEASE PAYMENT SCHEDULE

Following is the semi-annual schedule of principal and interest payments due each February 1 and August 1 with respect to the Certificates, commencing February 1, 2021, assuming no optional prepayment.

Payment Date*	Principal Component	Interest Component	Total Payments
2/1/21			
8/1/21			
2/1/22			
8/1/22			
2/1/23			
8/1/23			
2/1/24			
8/1/24			
2/1/25			
8/1/25			
2/1/26			
8/1/26			
2/1/27			
8/1/27			
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2/1/36			
8/1/36			
2/1/37			
8/1/37			
2/1/38			
8/1/38			
2/1/39			
8/1/39			
2/1/40			
8/1/40			
2/1/41			
8/1/41			
2/1/42			
Totals			

\* Lease Payments are payable no later than the fifteenth day of each month preceding each Payment Date.

## SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

### Nature of the Certificates

**General.** Each Certificate evidences and represents a direct, undivided fractional interest in the principal component of the Lease Payment due under the Lease Agreement on the principal payment date or prepayment date of such Certificate, and the interest component of all Lease Payments (based on the stated interest rate with respect to such Certificate) shall accrue from the date of delivery to its principal payment date or prepayment date, as the case may be.

**Assignment of Rights in Lease Agreement to Trustee.** The Corporation, under the Assignment Agreement, will assign to the Trustee for the benefit of the Certificate Owners substantially all of the Corporation's right, title and interest in and to the Lease Agreement, including, without limitation, its right to receive Lease Payments to be paid by the District; except that the Corporation will retain certain rights under the Lease Agreement (including the rights to Additional Payments (defined below), repayment of advances, indemnification and payment of attorneys' fees). The District will pay Lease Payments directly to the Trustee, as assignee of the Corporation. See "– Lease Payments" below.

### Lease Payments

**General.** For the right to the use and occupancy of the Leased Property, the Lease Agreement requires the District to make Lease Payments. To secure the payment of the Lease Payments, the District is required to pay to the Trustee, for deposit into the Lease Payment Fund established and maintained by the Trustee, on the fifteenth day before each Payment Date, in an amount sufficient to pay the Lease Payment then due.

Pursuant to the Trust Agreement, the Trustee shall withdraw moneys from the Lease Payment Fund on each Payment Date in amounts which equal the Lease Payment due on such Payment Date and shall cause all sums withdrawn from the Lease Payment Fund to be applied to the payment of principal and interest evidenced by the Certificates due on such Payment Date.

Scheduled Lease Payments relating to the Certificates are set forth above under the heading "LEASE PAYMENT SCHEDULE."

**Additional Payments.** In addition to the Lease Payments, the District shall pay when due, as additional rental for the Leased Property under the Lease Agreement ("**Additional Payments**"), all costs and expenses incurred by the District under the Lease Agreement or under the Trust Agreement, or incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all costs of issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), annual compensation due to the Trustee and all of its reasonable costs and expenses (including amounts payable to the Trustee by virtue of indemnification) payable as a result of the performance of and compliance with its duties under the Trust Agreement, and all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the Corporation or the Trustee in connection with the Leased Property or the performance of their duties under the Lease Agreement or under the Trust Agreement.

***Covenant to Appropriate Funds.*** In the Lease Agreement, the District covenants to take such action as may be necessary to include all estimated Lease Payments and all estimated Additional Payments in each of its final approved budgets. The District further covenants to make all necessary appropriations (including any supplemental appropriations) from any source of legally available funds of the District for all the actual amount of Lease Payments and Additional Payments which come due and payable during the period covered by each such budget. The covenants on the part of the District contained in the Lease Agreement are duties imposed by law and it is the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - The Lease Agreement - Lease Payments.”

### **Abatement**

The Lease Payments are payable by the District in each rental period for the District’s right to use and occupy the Leased Property for such rental period. The obligation of the District to pay the Lease Payments will be abated, proportionately, during any period in which, by reason of damage or destruction, or taking in eminent domain or any defect in title to the Leased Property, there is substantial interference with the use and possession of the Leased Property by the District. The Lease Agreement provides that the amount of such abatement shall be such that the resulting Lease Payments represent the fair consideration for the use and possession of the portion of the Leased Property not damaged or destroyed or taken; provided, however, that such abatement shall not result so long as moneys in the Lease Payment Fund and the Reserve Fund and Net Proceeds of insurance and rental interruption insurance and condemnation awards are sufficient to make Lease Payments when and as due.

Such abatement or adjustment, if any, will continue for the period commencing with such damage or destruction or taking and ending with the substantial completion of the work of repair or reconstruction; and the term of this Lease Agreement shall be extended as provided in the Lease Agreement, except that the term of the Lease Agreement will in no event be extended more than ten years beyond the termination date. Abatement of the Lease Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. In the event of any such partial damage or destruction or taking, the Lease Agreement will continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage or destruction or taking. For information regarding rental interruption insurance, see “ – Covenant to Maintain Insurance” below.

The Trustee cannot terminate the Lease Agreement solely on the basis of such substantial interference. For a description of abatement resulting from condemnation of all or part of the Leased Property, see “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement – Lease Payments – Abatement of Rent.”

### **Limited Obligation**

THE OBLIGATION OF THE DISTRICT TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE DISTRICT, THE CORPORATION OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR

STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT, SAN BERNARDINO COUNTY (THE "COUNTY") OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT, THE COUNTY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

***Termination or Abatement Due to Eminent Domain.*** Under the Lease Agreement, if the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease with respect thereto as of the day possession is so taken.

If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect with respect thereto and will not be terminated by virtue of such taking, and the parties waive the benefit of any law to the contrary, and (b) there will be a partial abatement of Lease Payments allocated thereto, in an amount to be agreed upon by the District and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property, calculated in accordance with the Lease Agreement.

However, there will be no abatement of Lease Payments to the extent that amounts in the Reserve Fund, insurance proceeds and eminent domain proceeds are available to pay Lease Payments that would otherwise be abated under this provision, and such proceeds and amounts will constitute a special fund for the payment of the Lease Payments.

### **Lease Payment Fund**

***Establishment.*** Under the Trust Agreement the Trustee will establish a special fund designated as the "Lease Payment Fund." All moneys at any time deposited by the Trustee in the Lease Payment Fund will be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates.

So long as any Certificates are Outstanding, neither the District nor the Corporation will have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys will be used and applied by the Trustee as set forth in the Trust Agreement.

***Deposits.*** All Lease Payments received by the Trustee will be deposited in the Lease Payment Fund.

***Application of Moneys.*** All amounts in the Lease Payment Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest represented by the Certificates as they become due and payable, in accordance with the Trust Agreement.

***Lease Payment Fund; Surplus.*** Any surplus remaining in the Lease Payment Fund after prepayment and payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such prepayment or payment having been made to the satisfaction of the Trustee, will be withdrawn by the Trustee and remitted to the District.

## **Action on Default**

If the District defaults under the Lease Agreement, the Trustee, as assignee of the Corporation's rights under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the District, or may retain the Lease Agreement and hold the District liable for all Lease Payments thereunder on an annual basis. Lease Payments may not be accelerated upon a default under the Lease Agreement. See "RISK FACTORS."

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Corporation) contained in the Lease Agreement and the Trust Agreement, see "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

## **Reserve Fund**

The Reserve Fund is established by the Trust Agreement and is required to be funded in an amount of the "**Reserve Requirement**," being, as of the date of calculation thereof, an amount equal to the lesser of (a) 10% of the original principal amount of the Certificates, or (b) the maximum amount of Lease Payments (excluding Lease Payments with respect to which the District shall have posted a security deposit pursuant to the Lease Agreement) coming due in the current or any future Fiscal Year (as defined in the Trust Agreement), or (c) 125% of average annual Lease Payments. The Reserve Fund is required to be maintained until all Lease Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding under the Trust Agreement. See "APPENDIX A - "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

Pursuant to the Trust Agreement, if on any Payment Date the moneys available in the Lease Payment Fund do not equal the amount of the Lease Payment then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make such payments on behalf of the District by transferring the amount necessary for this purpose to the Lease Payment Fund. In addition, upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Fund, such Lease Payment shall be deposited in the Reserve Fund to the extent of such advance.

If on any Payment Date the moneys on deposit in the Reserve Fund and the Lease Payment Fund are sufficient to pay or prepay all Outstanding Certificates, including all principal and interest represented thereby, the Trustee shall, upon the written request of the District, transfer all amounts then on deposit in the Reserve Fund to the Lease Payment Fund to be applied for such purpose to the payment of the Lease Payments on behalf of the District.

The Reserve Requirement, or any portion thereof, may be satisfied by crediting to the Reserve Fund moneys, a letter of credit, a bond insurance policy, or any other comparable credit facility issued by an insurance company satisfying the requirements of the Trust Agreement. Amounts available in the Reserve Fund, including amounts available pursuant to the Reserve Policy will be used to make delinquent Lease Payments in accordance with the Trust Agreement.

As described herein, the Reserve Requirement will be satisfied by the credit to the Reserve Fund of the Reserve Policy issued by the Certificate Insurer. See "APPENDIX A – Summary of Certain Provisions of Principal Legal Documents" for a further description of the application of funds in the Reserve Fund.

## **Covenant to Maintain Insurance**

The Lease Agreement requires the District to obtain public liability and property damage insurance, casualty insurance, rental interruption insurance, and to obtain a title insurance policy with respect to the Leased Property, as described below.

***Public Liability and Property Damage Insurance.*** The District will maintain or cause to be maintained, throughout the term of the Lease Agreement, comprehensive general insurance in protection of the Corporation, the District and their respective members, officers, agents, employees and assigns. Such insurance shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such insurance shall provide coverage in such liability limits and be subject to such deductibles as the District deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and with the prior written consent of the Certificate Insurer may be maintained in whole or in part in the form of a program of self-insurance by the District, or in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The District shall apply the proceeds of such insurance toward extinguishment or satisfaction of the liability with respect to which the net proceeds are paid.

***Casualty Insurance.*** The District will procure and maintain, or cause to be procured and maintained, at all times throughout the term of the Lease Agreement, casualty insurance against loss or damage to the insured buildings, facilities and other improvements constituting any part of the Leased Property, in an amount at least equal to the lesser of (a) the replacement value of such buildings, facilities and improvements, or (b) the aggregate principal amount of the Outstanding Certificates. Such insurance shall, as nearly as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the District, whose determination is final and conclusive. Such insurance may be subject to such deductibles as the District deems prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The District shall apply the Net Proceeds of such insurance as provided in the Lease Agreement.

***Rental Interruption Insurance.*** The District will procure and maintain, or cause to be procured and maintained, at all times throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the buildings, facilities and other improvements constituting any part of the Leased Property, as a result of any of the hazards covered in due to a casualty as described in the preceding paragraphs, in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive Fiscal Years during the remaining Term of the Lease Agreement. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of such insurance, if any, shall be paid to the Trustee and deposited

in the Lease Payment Fund, and shall be credited towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

***Title Insurance.*** The District shall obtain a CLTA title insurance policy insuring the District's leasehold estate in the Leased Property under the Lease Agreement, in an amount at least equal to the aggregate principal amount of the Certificates. All Net Proceeds received under such title insurance policy will be deposited with the Trustee in the Lease Payment Fund and credited towards the prepayment of the Lease Payments under the Lease Agreement.

See also "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement – Insurance."

### **Insurance and Condemnation Fund; Application of Net Proceeds**

The Lease Agreement requires that Net Proceeds of any insurance or condemnation award with respect to the Leased Property (other than proceeds of rental interruption insurance, which are required to be deposited into the Lease Payment Fund) be paid to the Trustee to be applied as provided in the Trust Agreement. The Trust Agreement provides that such Net Proceeds received by the Trustee shall be deposited in the Insurance and Condemnation Fund and that the District shall, within 90 days of the deposit of Net Proceeds with the Trustee, file a certificate with the Trustee and the Net Proceeds shall be applied by the Trustee as follows:

#### ***Application of Net Proceeds of Insurance.***

Any net proceeds of insurance collected by the District in the event of accident to or destruction of any component of the Leased Property ("**Net Proceeds**") shall be paid to the Trustee under the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the "Insurance and Condemnation Fund" which the Trustee shall establish. If the District determines and notifies the Trustee in writing of its determination, within 90 days following the date of such deposit, that the replacement, repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interests of the District, then such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund and applied to the prepayment of Lease Payments and the corresponding mandatory prepayment of Certificates, which prepayment shall be made on the first Payment Date for which notice of prepayment can be timely given. The determination of the District to apply Net Proceeds to the prepayment of Certificates is subject to the following:

- (a) if the Leased Property is damaged or destroyed in full, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay Outstanding Certificates only if such Net Proceeds, together with other available moneys, are sufficient to cause the corresponding prepayment of all Lease Payments allocable to the Leased Property; and
- (b) if the Leased Property is damaged or destroyed in part but not in whole, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay Outstanding Certificates only if the Lease Payments which result after the corresponding abatement thereof under the Lease Agreement are sufficient to pay the full amount of principal and interest represented by the Certificates which remain Outstanding after such prepayment.

All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Lease Payment Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the District, upon receipt of written requisitions of the District stating with respect to each payment to be made (a) the name and address of the person, firm or corporation to whom payment is due, (b) the amount to be paid and (c) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Any balance of the Net Proceeds remaining after the District shall file a written certificate with the Trustee stating that such work has been completed shall, after payment of all amounts then due and owing to the Trustee under the Trust Agreement, be paid to the District.

See "THE CERTIFICATES – Prepayment – Mandatory Prepayment from Net Proceeds."

***Application of Net Proceeds of Condemnation Award.*** The Trust Agreement provides that, if all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund, under the Lease Agreement, and shall be applied and disbursed by the Trustee as follows:

- (a) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) that such proceeds are not needed for repair, replacement or rehabilitation of the Leased Property, and the District has given written notice to the Trustee of such determination, the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited towards the payment of the Lease Payments as they become due and payable.
- (b) If the District gives written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, and (ii) such proceeds are needed for repair, replacement or rehabilitation of the Leased Property, the Trustee shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for the repair or rehabilitation of the Leased Property.
- (c) If (i) less than all of the Leased Property is taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the District gives written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the interest of the District in the Leased Property or the ability of the District to meet any of its financial obligations under the Lease Agreement, or (ii) all of the Leased Property is taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments of the Lease Agreement and applied to the corresponding mandatory prepayment of Certificates, which prepayment shall be made on the first prepayment date for which notice of prepayment can be timely given.

In making any such determination whether to repair, replace or rehabilitate the Leased Property under this Section, the District may obtain, but is not required to obtain, at its expense, the report of an independent engineer or other independent professional consultant, a copy of which must be filed with the Trustee. Any such determination by the District is final. See also "THE CERTIFICATES – Prepayment – Mandatory Prepayment from Net Proceeds."

## **CERTIFICATE INSURANCE**

*The following information has been furnished by the Certificate Insurer for use in this Official Statement. No representation is made as to the accuracy or completeness of this information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to APPENDIX H for a specimen of the Policy.*

### **Bond Insurance Policy**

Concurrently with the issuance of the Certificates, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the

terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

#### *Capitalization of AGM*

At March 31, 2020:

- The policyholders' surplus of AGM was approximately \$2,573 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$997 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,997 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by

AGL with the SEC on February 28, 2020); and

- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “CERTIFICATE INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “CERTIFICATE INSURANCE”.

## THE DISTRICT

### General Information

The District is located in San Bernardino County, California (the “**County**”). It serves the entire City of Hesperia (the “**City**”), a portion of the City of Victorville, and certain adjacent unincorporated territory, and encompasses an area of approximately 140 square miles. The District is located in the central area of the County, about five miles south of Victorville and 30 miles north of the City of San Bernardino. The District provides public education services for kindergarten through senior high school students, with a 2019-20 enrollment of approximately 22,165 students. The District has 15 elementary schools, two sixth grade academies, three middle schools, three comprehensive high schools, two continuation high schools, one alternative education center. In addition, there are five independent charter schools in the District’s boundaries.

### District Governance and Administration

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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Eric Swanson	President	December 2020
Ella “Lee” Rogers	Vice President	December 2020
Mark Dundon	Clerk	December 2022
Cody Greegg	Member	December 2020
Marcy Kittinger	Member	December 2022

**Administration.** The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently David Olney, serves as the District Superintendent and Dr. George Landon is the Assistant Superintendent, Business Services.

### Employee Relations

For fiscal year 2019-20, the District employs 1,065 full time equivalent certificated employees, 888 full time equivalent classified employees, and 141 management employees. There are two formal bargaining units operating in the District which are shown in the table below.

### HESPERIA UNIFIED SCHOOL DISTRICT Labor Organizations

<u>Labor Organization</u>	<u>Types of Employees Represented</u>	<u>Contract Expiration Date</u>
Hesperia Teachers’ Association	Certificated	June 30, 2018*
California School Employees Association	Classified	June 30, 2022

\*Operating pursuant to expired terms pending negotiations.  
Source: Hesperia Unified School District.

## Recent Enrollment and ADA Trends

The following table shows enrollment history for the District, with projection figures for fiscal year 2019-20.

### HESPERIA UNIFIED SCHOOL DISTRICT Enrollment\*

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>% Change</u>
2008-09	22,345	--
2009-10	22,836	2.2%
2010-11	23,137	1.3
2011-12	23,444	1.3
2012-13	23,448	0.0
2013-14	23,528	0.3
2014-15	23,735	0.9
2015-16	23,988	1.1
2016-17	23,844	(0.6)
2017-18	24,144	1.3
2018-19	24,132	0.0
2019-20 <sup>(1)</sup>	24,498	1.5

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\*Includes charter school enrollment.

(1) Estimated Actual.

Source: Hesperia Unified School District.

## District Insurance

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

**Workers' Compensation.** For fiscal year 2018-19, the District was fully-insured through California Schools Risk Management JPA for workers compensation coverage.

**Employee Medical Benefits.** The District has contracted with California Schools Benefits Association and High Desert Trust to provide employee medical, prescription, dental, and vision benefits and life insurance.

## DISTRICT FINANCIAL INFORMATION

### Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues.

The fiscal year 2013-14 State budget package (the "**2013-14 State Budget**") replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the "**LCFF**"). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is \$2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, 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 grades K-3 and the provision of career technical education in grades 9-12.
- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.
- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and was phased in over a period of five fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**"), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, 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. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

Funding levels used in the LCFF "Target Entitlement" calculations for fiscal year 2019-20 are set forth in the following table.

**Fiscal Year 2019-20 Base Grant\* Under LCFF by Grade Span  
(Targeted Entitlement)**

Grade Span	2018-19 Base Grant Per ADA	2019-20 COLA (3.26%)	Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)	2019-20 Base Grant/Adjusted Base Grant Per ADA
K-3	\$7,459	\$243	\$801	\$8,503
4-6	7,571	247	n/a	7,818
7-8	7,796	254	n/a	8,050
9-12	9,043	295	243	9,572

\*Does not include supplemental and concentration grant funding entitlements.  
Source: California Department of Education.

The legislation implementing LCFF included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 2013-14 State Budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

## **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 California Education Code, is to be followed by all California school districts.

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

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

## **Financial Statements**

**General.** The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2019 Audited Financial Statements were prepared by Nigro & Nigro, A Professional Corporation, Murrieta, California, and are attached hereto as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent, Hesperia Unified School District, 15576 Main Street, Hesperia, California 92345; telephone (760) 244-4411. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. This District may impose a charge for copying, mailing and handling.

**General Fund Revenues, Expenditures and Changes in Fund Balance.** The following table shows the audited income and expense statements for the District's General Fund for fiscal years 2014-15 through 2018-19.

**HESPERIA UNIFIED SCHOOL DISTRICT  
Summary of General Fund  
Revenues, Expenditures and Changes in Fund Balance  
For Fiscal Years 2014-15 through 2018-19 (audited)**

	2014-15 Audited	2015-16 Audited	2016-17 Audited	2017-18 Audited	2018-19 Audited
<b>Revenues</b>					
Revenue limit sources/LCFF <sup>(1)</sup>	\$154,821,517	\$182,154,059	\$195,575,490	\$202,120,913	\$220,642,737
Federal Revenue	11,012,222	11,898,655	11,656,021	14,366,870	13,539,999
Other State Revenue	11,575,353	23,614,188	18,808,763	18,232,274	29,652,951
Other Local Revenue	14,368,844	14,321,063	12,325,958	11,551,888	12,117,909
<b>Total Revenue</b>	<b>191,777,936</b>	<b>231,987,965</b>	<b>238,366,232</b>	<b>246,271,945</b>	<b>275,953,596</b>
<b>Expenditures</b>					
Instruction	111,679,224	129,987,965	140,768,232	151,304,808	167,957,815
Instruction-related services:					
Supervision of instruction	2,088,646	2,843,211	3,097,483	3,912,585	3,210,955
Instructional library, media and technology	2,002,821	2,541,845	2,094,629	2,306,472	2,793,072
School site administration	16,788,679	17,952,669	19,488,914	20,291,564	22,183,482
Pupil support services:					
Home-to-school transportation	5,443,078	5,743,400	6,240,899	6,690,957	6,595,518
Food services	933	510	--	227	--
All other pupil services	8,146,419	9,521,603	11,627,371	11,474,228	12,661,767
Ancillary services	336,843	321,949	415,229	399,991	438,292
Community services	45,808	8,929	8,243	7,003	--
General administrative services:					
Data processing services	1,184,302	2,250,814	2,705,923	2,967,666	2,998,533
Other general administration	10,571,632	12,892,748	14,744,853	14,263,401	15,129,357
Plant services	18,174,962	20,841,888	21,588,112	22,877,924	21,712,340
Facility Acquisition and Construction	--	--	--	--	--
Transfers of indirect costs	(409,615)	(478,330)	(517,605)	(526,763)	(583,565)
Capital outlay	5,687,405	215,132	1,996,338	505,763	2,983,609
Intergovernmental	1,037,612	946,451	859,325	928,258	1,035,314
Transfers between agencies	--	--	--	--	--
Debt service:					
Principal	--	--	1,074,646	1,154,486	--
Interest	--	--	435,783	394,817	--
<b>Total Expenditures</b>	<b>182,778,749</b>	<b>205,331,144</b>	<b>226,628,545</b>	<b>238,953,964</b>	<b>259,116,489</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>8,999,187</b>	<b>26,656,821</b>	<b>11,737,687</b>	<b>7,317,981</b>	<b>16,837,107</b>
<b>Other Financing Sources (Uses)</b>					
Transfer In	--	--	292,935	--	--
Transfers out	(5,789,653)	(13,699,436)	(7,814,218)	(6,826,780)	(10,501,718)
Proceeds from capital leases	--	--	--	--	--
<b>Total Other Sources &amp; Uses</b>	<b>(5,789,653)</b>	<b>(13,699,436)</b>	<b>(7,521,283)</b>	<b>(6,826,780)</b>	<b>(10,501,718)</b>
<b>Net Change in Fund Balance</b>	<b>3,209,534</b>	<b>12,957,385</b>	<b>4,216,404</b>	<b>491,201</b>	<b>6,335,389</b>
Fund Balance, as originally stated		34,357,448	--	--	51,746,265
Adjustments for restating		(276,173)	--	--	(1,174,123)
<b>Fund Balance, Beginning of Year</b>	<b>31,147,914</b>	<b>34,081,275</b>	<b>47,038,660</b>	<b>51,255,064</b>	<b>50,572,142</b>
<b>Fund Balance, End of Year</b>	<b>\$34,357,448</b>	<b>\$47,038,660</b>	<b>\$51,255,064</b>	<b>\$51,746,265</b>	<b>\$56,907,531</b>

Source: Hesperia Unified School District

## **District Budget and Interim Financial Reporting**

***Budgeting and Interim Reporting Procedures.*** State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the County Superintendent of Schools (the "**County Superintendent**").

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 ("**A.B. 1200**") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent 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 is deemed 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 two subsequent fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

***District's Budget Approval/Disapproval and Certification History.*** In the past five years, each of the District interim reports were certified as positive, and each of the District's adopted budgets have been approved by the County Superintendent. The most recent interim report, the second interim for fiscal year 2019-20, was certified by the Board as positive.

Copies of the District's budgets, interim reports and certifications may be obtained upon request from the District. The District may impose charges for copying, mailing and handling.

*[Remainder of page intentionally left blank]*

**District's General Fund 2019-20 Estimated Actuals and 2020-21 Adopted Budget.**  
The following table shows the income and expense statements for the District's General Fund for fiscal year 2019-20 (estimated actuals) and fiscal year 2020-21 (adopted budget).

**HESPERIA UNIFIED SCHOOL DISTRICT**  
**Revenues, Expenditures, and Changes in General Fund Balance**  
**Fiscal Year 2019-20 (Estimated Actuals) and**  
**Fiscal Year 2020-21 (Adopted Budget)<sup>(1)(2)</sup>**

<u>Revenues</u>	Estimated Actuals 2019-20	Adopted Budget 2020-21
LCFF Sources	\$228,628,449	\$212,928,614
Federal revenues	13,575,146	21,330,944
Other state revenues	17,429,379	17,097,772
Other local revenues	9,418,035	11,534,332
Total Revenues	269,051,009	262,891,662
 <u>Expenditures</u>		
Certificated salaries	109,197,383	110,024,356
Classified salaries	38,553,389	40,742,759
Employee benefits	64,454,512	68,089,392
Books and supplies	9,841,397	10,273,512
Contract services & operating exp.	32,991,350	34,748,661
Capital outlay	852,711	713,194
Other outgo (excluding indirect costs)	910,000	875,000
Other outgo – transfers of indirect costs	(334,592)	(395,000)
Total expenditures	256,457,150	265,071,874
 Excess of revenues over/(under) expenditures	 12,593,859	 (2,180,212)
 <u>Other financing sources (Uses)</u>		
Operating transfers in	--	--
Operating transfers out	(7,488,873)	--
Total other financing sources (uses)	(7,488,874)	--
 Net change in fund balance	 5,104,985	 (2,180,212)
 Fund balance, July 1	 36,633,070	 40,821,140
Other restatements	(916,916)	--
Fund balance, July 1- adjusted	35,716,155	40,821,140
Fund balance, June 30	\$40,821,140	\$38,640,927

(1) Columns may not sum to totals due to rounding.

(2) The District's reserves are not accounted for in its General Fund for purposes of budgeting and projections. As such, beginning and ending fund balance figures do not correspond with presentation of audited financial statements in the previous table, because the District's audits account for reserve funds within the General Fund.

Source: Hesperia Unified School District.

**District Reserves.** The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains an unrestricted reserve which meets or exceeds the State's minimum requirements.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget ("**SB 858**"), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the District level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

Effective January 1, 2018, Senate Bill 751, which was signed by the Governor on October 11, 2017, amends Section 42127.01 of the Education Code to raise the reserve cap to no more than 10% of a school district's combined assigned or unassigned ending general fund balance. In addition, the amendment provides that the reserve cap will be effective only if there is a minimum balance of 3% in the Proposition 98 reserve referenced in the preceding paragraph. Basic aid school districts and small districts with 2,500 or fewer ADA are exempted from the reserve cap contained in Education Code Section 42127.01.

The adopted State Budget for fiscal year 2019-20 provides for an initial deposit into the Public School System Stabilization Account of the State of approximately \$376.5 million. This amount is not sufficient to trigger the reserve cap provided for by SB 858, as amended by SB 751.

The District cannot predict when or how any additional changes to legal provisions governing the reserve cap would impact its reserves and future spending. See "-2019-20 State Budget."

**Attendance - Revenue Limit and LCFF Funding**

As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of average daily attendance (“ADA”). With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth total LCFF funding for the District for fiscal year 2014-15 through 2020-21 (Projected) together with annual ADA.

**AVERAGE DAILY ATTENDANCE AND STATE FUNDING UNDER LCFF  
Fiscal Years 2013-14 through 2020-21  
Hesperia Unified School District**

<b>Fiscal Year</b>	<b>ADA</b>	<b>LCFF Funding</b>
2014-15	20,517	\$153,321,517
2015-16	20,541	178,154,059
2016-17	20,394	193,873,149
2017-18	20,488	199,451,650
2018-19	20,624	219,142,737
2019-20 <sup>(1)</sup>	20,922	228,628,449
2020-21 <sup>(1)</sup>	20,922	212,928,614

(1) Estimated Actual/Budgeted.  
Source: Hesperia Unified School District.

The District’s unduplicated pupil count for fiscal year for purposes of calculating entitlement under the LCFF for supplemental funding and concentration grant funding is approximately 78%. As such, the District is entitled to base grant funding, supplemental and concentration grant funding under LCFF.

**Revenue Sources**

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

**LCFF Sources.** District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District’s LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district’s property tax revenues, i.e., the district’s share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit

before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it was entitled to.

**Federal Revenues.** The federal government provides funding for several District programs, including special education programs, programs under the Every Student Succeeds Act, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools and others.

**Other State Revenues.** As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues.

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

For additional discussion of State aid to school districts, see "-State Funding of Education."

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

## **District Retirement Systems**

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.*

**Implementation of GASB Nos. 68 and 71.** Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the audit for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. As a result of the implementation of GASB Statement Nos. 68 and 71, the District was required to reflect a restatement of its beginning net position as of July 1, 2014. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2019."

**STRS.** All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit

provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The District's employer contributions to STRS for recent fiscal years are set forth in the following table.

**STRS CONTRIBUTIONS**  
**Hesperia Unified School District**  
**Fiscal Years 2014-15 through 2020-21 (Budgeted)**

Fiscal Year	Amount
2014-15	\$10,701,744
2015-16	14,468,600
2016-17	18,364,601
2017-18	14,054,703
2018-19	16,769,031
2019-20*	27,316,382
2020-21*	27,835,393

\*Estimated Actual/Budgeted.  
Source: Hesperia Unified School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately \$105.7 billion as of June 30, 2019 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("**AB 1469**"), which represents a legislative effort to fund the unfunded actuarial obligation with respect to service credited members of the STRS Defined Benefit Program before July 1, 2014, within 32 years. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 were 10.73%, 12.58%, 14.43%, 16.28% and 18.13% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2020-21 through fiscal year 2022-23 are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (STRS)  
Fiscal Years 2020-21 through 2022-23**

<b>Fiscal Year</b>	<b>Employer Contribution Rate<sup>(1)</sup></b>
2020-21 <sup>(2)</sup>	18.40%
2021-22	18.60
2022-23	18.10

(1) Expressed as a percentage of covered payroll. Rates may change based on actual experience and other factors.

(2) Fiscal year 2020-21 employer contribution rates have been reduced as of adoption of the fiscal year 2019-20 State Budget. See the following paragraph.

Source: AB 1469.

The State’s fiscal year 2019-20 budget includes certain pension relief provisions in the form of contributions by the State to STRS and PERS to relieve and reduce the employer contribution rates in the next two years. The STRS employer contribution rate for fiscal year 2019-20 is expected to be 17.1% (reduced from 18.13%) and for fiscal year 2020-21 is expected to be 18.4% (reduced from 19.10%).

**PERS.** All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the “Schools Pool.” Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, the District is required to contribute an amount based on an actuarially determined employer rate. The District’s employer contributions to PERS for recent fiscal years are set forth in the following table.

**PERS CONTRIBUTIONS  
Hesperia Unified School District  
Fiscal Years 2014-15 through 2020-21 (Budgeted)**

<b>Fiscal Year</b>	<b>Amount</b>
2014-15	\$3,482,595
2015-16	4,058,462
2016-17	4,901,531
2017-18	5,948,329
2018-19	7,328,039
2019-20*	7,773,513
2020-21*	8,458,812

\*Estimated Actual/Budgeted.  
Source: Hesperia Unified School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately \$31.3 billion as of June 30, 2019 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in

employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next subsequent three years according to the following schedule.

**PERS Discount Rate  
Fiscal Years 2018-19 through 2020-21**

Fiscal Year	Amount
2018-19	7.375%
2019-20	7.250
2020-21	7.000

*Source: PERS.*

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, was implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 were 11.847%, 13.888%, 15.531%, 18.062%, and 19.721% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2020-21 through fiscal year 2022-23 are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (PERS)  
Fiscal Years 2010-21 through 2022-23<sup>(1)</sup>**

Fiscal Year	Employer Contribution Rate <sup>(2)</sup>
2020-21	22.900%
2021-22	24.600
2022-23	25.300

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.

(2) Expressed as a percentage of covered payroll. Rates for 2020-21 have been reduced following adoption of the fiscal year 2019-20 State Budget. See the following paragraph

*Source: PERS*

The State's fiscal year 2019-20 budget includes certain pension relief provisions in the form of contributions by the State to STRS and PERS to relieve and reduce the employer contribution rates in the next two years. As a result of the State contributions, the employer contribution rates were reduced by approximately 1% less than previously identified by PERS.

**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 ("PEPRA"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public

employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRAs applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRAs provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRAs through collective bargaining.

PERS has predicted that the impact of PEPRAs on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRAs, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRAs, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRAs, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

***Additional Information.*** Additional information regarding the District's retirement programs is available in Note 8 of the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, [www.calstrs.com](http://www.calstrs.com) and [www.calpers.ca.gov](http://www.calpers.ca.gov), respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

## Other Post-Employment Healthcare Benefits

**Plan Description.** Hesperia Unified School District provides post-employment benefits other than pensions the (“Plan”) to employees who meet certain criteria. The District provides post-employment healthcare benefits (“OPEB”) to eligible retirees and their covered eligible dependents and pays a portion of the cost. All active employees who retire directly from the District and meet the eligibility criteria may participate. The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. At June 30, 2019, 116 members were actively receiving benefits under the Plan, and 2,249 active employees were eligible to retire and receive benefits in the future.

**Benefits Provided.** The OPEB plans and the District's obligation vary by employee group as described below. For those hired prior to July 1, 2012, retirees age 55 through 65 who completed 10 years of service with the Hesperia Unified School District (including service with Victor Valley Union High School District and/or Hesperia Elementary School District) are entitled to receive the same District contribution provided to active members. For those hired July 1, 2012 or later, retirees will be required to attain age 60 with 15 or more years of service.

The District's insurance providers charge the District the same premiums for retirees under age 65 as for active employees. Therefore, the retiree premium rates are being subsidized by the inclusion of active lives in setting non-Medicare retiree rates.

Retirees under age 65 with less than 10 years of service are entitled to receive benefits at their own expense. The rates charged are subsidized due to the inclusion of active lives.

Medical premiums for retirees over age 65 were not based on blended active experience; therefore, no premium subsidy exists for retirees over age 65. Retirees pay 100% of the full cost of their health benefits after age 65.

Employees who terminate employment prior to retirement are not entitled to medical benefits after the expiration of their COBRA benefits.

**Actuarial Assumptions and Other Inputs.** The District's total OPEB liability of \$24,059,122 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation 2.75% annually, salary increases 3.50% per year, and healthcare cost trend rates 5.70% trending to 4.20%. Mortality rates are based on the most recent rates used by PERS and STRS for the pension valuations.

**Discount Rate.** The discount rate of 3.87% is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Changes in OPEB Liability of the District.** The changes in OPEB liability of the District as of June 30, 2019, is shown in the following table:

**CHANGES IN TOTAL OPEB LIABILITY  
Hesperia Unified School District**

	<b>Total OPEB Liability</b>
Balance at June 30, 2017	\$28,329,524
Service Cost	1,869,796
Interest	1,039,822
Economic/Demographic gains/losses	1,750,436
Changes of assumptions	(6,601,918)
Benefit payments	<u>(2,328,538)</u>
Net changes	<u>(4,270,402)</u>
Balance at June 30, 2018	\$24,059,122

*Source: Hesperia Unified School District Audit Report.*

**OPEB Expense.** For the year ended June 30, 2019, the District recognized an OPEB expense of \$2,299,415.

For more information regarding the District's OPEB and assumptions used in its most recent actuarial study, see Note 7 of APPENDIX B to the Official Statement.

**Existing Debt Obligations**

**General Obligation Bonds.** The District currently has no outstanding general obligation bonds.

**Certificates of Participation.** On April 1, 2013, the District executed and delivered its Certificates of Participation (2013 School Facility Bridge Restructuring Program) Series A and Series B (the "**2013A Certificates**" and "**2013B Certificates**," respectively) in the aggregate principal amount of \$42,520,000 and \$10,175,000, respectively. The 2013A Certificates and 2013B Certificates were executed and delivered to provide a portion of the funds necessary to prepay the District's Certificates of Participation (2004 Interim School Facility Funding Program). The interest rates range from 4.0% to 5.532%. The 2013A Certificates and the 2013B Certificates are currently outstanding in the aggregate principal amount of \$42,520,000 and \$7,115,000, respectively, and will be defeased and prepaid in full or in part with a portion of the proceeds of the Certificates. See "REFINANCING PLAN."

On April 12, 2016, the District executed and delivered its 2016 Refunding Certificates of Participation (the "**2016 Refunding Certificates**") in the aggregate principal amount of \$44,250,000. The 2016 Refunding Certificates were executed and delivered to prepay and defease on an advance basis certain outstanding certificates of participation executed and delivered in 2007. The interest rates range from 2.0% to 5.0%. The 2016 Refunding Certificates are currently outstanding in the aggregate principal amount of \$41,145,000.

**Equipment Lease.** On May 8, 2014, the District entered into tax-exempt equipment lease purchase agreements in the amounts of \$9,723,420 and \$2,555,245, respectively. The leases were issued to purchase equipment relating to the building automation and controls, interior and

exterior lighting retrofits, mechanical upgrades, and other energy conservation measures. The leases mature on May 8, 2029 with a fixed interest rate of 3.75% for both agreements. On November 1, 2018, the District paid off the remaining principal of \$2,009,060 on the second lease agreement, leaving only the first lease remaining. At June 30, 2019, the lease agreement is currently outstanding in the aggregate principal amount of \$6,664,159.

**Claims Liability.** The District records an estimated liability for property and liability, and workers' compensation 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. These liabilities are reflected in the long-term obligations and currently amount to \$265,000.

**New Clean Renewable Energy Bonds.** On November 1, 2016, the District, through the Corporation, issued taxable New Clean Renewable Energy Bonds in the amount of \$26,500,000. The bonds bear a qualified tax credit rate of 4.170% and an effective subsidy rate of 2.919%, with annual maturities from September 2018 through September 2041. The proceeds generated were used to finance the District's Solar Project comprised of multiple solar energy facilities to be located at District school campus sites.

### **Investment of District Funds**

In accordance with Government Code Section 53600 *et seq.*, the San Bernardino County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. See "APPENDIX G – SAN BERNARDINO COUNTY INVESTMENT POLICY AND REPORT."

### **Effect of State Budget on Revenues**

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see "—State Funding of Education – Revenue Limits" above). State funds typically make up the majority of a district's LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding.

## STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

**General.** The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts is funding under the LCFF, which is a combination of State funds and local property taxes (see “DISTRICT FINANCIAL INFORMATION – Education Funding Generally” above). State funds typically make up the majority of a district’s LCFF entitlement.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

*The following information concerning the State’s budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the Corporation, nor the Underwriter are responsible for the information relating to the State’s budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer’s Office.*

**The Budget Process.** The State’s fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the “**Governor’s Budget**”). Under State law, the annual proposed Governor’s Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor’s Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each house of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

## Recent State Budgets

Certain information about the State budgeting process and the State budget (the “**State Budget**”) is available through several State of California sources. A convenient source of information is the State’s website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District or the Underwriter and is not incorporated herein by reference.*

- The California Department of Finance’s Internet home page at [www.dof.ca.gov](http://www.dof.ca.gov), under the heading “California Budget”, includes the text of proposed and adopted State Budgets.
- The State Legislative Analyst’s Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst’s Internet home page at [www.lao.ca.gov](http://www.lao.ca.gov) under the heading “Subject Area – Budget (State)”.

**Prior Years’ Budgeting Techniques.** Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2020-21 State budget is balanced and projects a balanced budget for the foreseeable future, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

**2013-14 State Budget: Significant Change in Education Funding.** As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State’s system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District’s finances.

## 2020-21 State Budget

**Introduction and Background.** The Governor signed the fiscal year 2020-21 State Budget (the “**2020-21 State Budget**”) on June 29, 2020. The 2020-21 State Budget notes that the COVID-19 pandemic has impacted every sector of the State’s economy and has caused record high unemployment, and further action from the federal government is needed as a result of the crisis. The Governor is pursuing \$1 trillion in flexible federal aid to state and local governments across the country, which support will be critical to mitigate the effects of the public health crisis, encourage recovery, and support persons in need.

At the time of the Governor’s proposed 2020-21 State Budget in January, the State was projecting a surplus of \$5.6 billion. At the time of the May Revision with respect to the 2020-21 State Budget, the State had a budget deficit of \$54.3 billion. The 2020-21 State Budget includes

measures to close the gap and bring the State's resources and spending into balance while preserving reserves for future years.

To reduce the structural deficit in the coming years, the 2020-21 State Budget sustains the January 1, 2022 suspension of several ongoing programmatic expansions that were made in the 2019 Budget Act. In addition, the 2020-21 State Budget accelerates the suspension of most Proposition 56 (2016 tobacco tax measure) tax rate increases to July 1, 2021. Despite these measures, the State forecasts an operating deficit of \$8.7 billion in 2021-22, after accounting for reserves.

**Closing the Budget Gap.** The 2020-21 State Budget uses the following strategies to close the budget gap:

- **Reserve Draw Down:** Draws down \$8.8 billion in reserves, including from the State's Rainy Day Fund (\$7.8 billion), the Safety Net Reserve (\$450 million), and all of the funds in the Public School System Stabilization Account.
- **Triggers:** Includes \$11.1 billion in funding reductions and deferrals that will be restored if at least \$14 billion in federal funds are received by October 15, 2020. If the State receives a lesser amount between \$2 billion and \$14 billion, the reductions and deferrals will be partially restored. The trigger includes \$6.6 billion in deferred funding for schools.
- **Federal Funds:** Relies on \$10.1 billion in federal funds that provide State general fund relief, including \$8.1 billion already received.
- **Revenues:** Temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to \$5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate \$4.4 billion in new revenues in the 2020-21 fiscal year.
- **Borrowing/Transfers/Deferrals:** Relies on \$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools. Approximately \$900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger.
- **Other Solutions:** Cancelling multiple program expansions and anticipating increased government efficiencies, higher ongoing revenues above the May Revision forecast and lower health and human services caseload costs than the May Revision estimated.

**General Budget Highlights.** Certain highlights of the 2020-21 State Budget are:

**Emergency Response:** COVID-19 and other emergency response efforts included in the 2020-21 State Budget are:

- **Responding to COVID-19:** The State expects to receive over \$72 billion in federal assistance to State programs, of which unemployment insurance represents about \$52 billion of this total. Under the CARES Act, the State received \$9.5 billion for various uses including \$4.4 billion to mitigate K-14

learning loss. The amount of \$5.9 million of General Fund spending for 2020-21 and \$4.8 million ongoing is allocated to support the State Department of Health's response to COVID-19.

- Enhancements to Emergency Responses and Preparedness: \$117.6 million is allocated to the State Office of Emergency Services to enhance emergency preparedness and response capabilities, including with respect to power outages, earthquakes, wildfires and cybersecurity.
- Forestry and Fire Protection: \$90 million is allocated to enhance CAL FIRE's fire protection capabilities, including for wildfire prediction and modeling technology.

Revenue Solutions. Revenue measures which are expected to net \$4.3 billion in 2020-21, \$3.1 billion in 2021-22 and \$1.3 billion in 2022-23, include:

- Certain Tax Measure Extensions. Extending certain tax measures including certain sales tax exemptions through the end of 2022-23, extending the carryover period for film credits from 6 years to 9 years, and extending the current exemption from the minimum tax for first year corporations to first year limited liability corporations, partnerships, and limited liability partnerships.
- Expansion of Earned Income Tax. Expanding the Earned Income Tax Credit to certain taxpayers.
- Changes to Tax Laws and Sales Tax. Changes in tax law including suspending net operating losses for 2020, 2021, and 2022 for medium and large businesses, and limiting certain business incentive tax credits, and with respect to closing the sale tax loss gap, requiring used car dealers to remit sales tax to the Department of Motor Vehicles with registration fees.

Recovery for Small Businesses. The 2020-21 State Budget includes a waiver of the minimum franchise tax for the first year of operation, \$100 million budgeted for the State's small business loan program, \$25 million to provide capital to enable the origination of more loans in underbanked communities, and adding funding of \$758,000 ongoing for positions relating to small business support.

Housing. Up to \$500 million is allocated in State tax credits for low-income housing in 2021, under certain conditions. The 2020-21 State Budget provides \$331 million in National Mortgage Settlement funds to help prevent avoidable foreclosures and evictions, and \$8.3 billion across multiple departments and programs to address housing throughout the State.

***K-12 Education Funding Summary***. For K-12 education funding, the 2020-21 State Budget provides for funding under Proposition 98 of \$70.9 billion, which is more than \$10 billion below the minimum guarantee contained in the State's 2019-20 budget. For K-12 schools, this results in Proposition 98 per pupil spending of \$10,654 in 2020-21, which is a \$1,339 decrease over the 2019-20 per pupil spending levels. Additionally, in the same period, per pupil spending from all State, federal, and local sources decreased by approximately \$542 per pupil to \$16,881.

Efforts to mitigate the impact of the decline in K-12 funding in the 2020-21 State Budget include:

Deferrals: \$1.9 billion of LCFF apportionment deferrals in 2019-20, growing to \$11 billion LCFF apportionment deferrals in 2020-21. These deferrals will allow LCFF funding to remain at 2019-20 levels in both fiscal years. The statutory LCFF cost-of-living adjustment is suspended in 2020-21. Of the total deferrals, \$5.8 billion will be triggered off in 2020-21 if the federal funding becomes available.

Learning Loss Mitigation: A one-time investment of \$5.3 billion (\$4.4 billion federal Coronavirus Relief Fund, \$539.9 million Proposition 98 General Fund, and \$355.2 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures. Funds will be allocated to local educational agencies on an equity basis, with an emphasis on ensuring the greatest resources are available to local educational agencies serving students with the greatest needs.

Supplemental Appropriations: In 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level by a total of approximately \$12.4 billion. To accelerate the recovery from this funding reduction, the 2020-21 State Budget provides supplemental appropriations above the constitutionally-required Proposition 98 funding level, beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5 percent of State general fund revenues per year, up to a cumulative total of \$12.4 billion.

Revised PERS and STRS Contributions. To provide local educational agencies with increased fiscal relief, the 2020-21 State Budget redirects \$2.3 billion appropriated in the 2019 Budget Act to STRS and PERS for long-term unfunded liabilities to reduce employer contribution rates in 2020-21 and 2021-22. This reallocation will reduce the STRS employer rate from 18.41 percent to approximately 16.15 percent in 2020-21 and from 17.9 percent to 16.02 percent in 2021-22. The PERS Schools Pool employer contribution rate will be further reduced from 22.67 percent to 20.7 percent in 2020-21 and from 24.6 percent to 22.84 percent in 2021-22.

Federal Funds. The 2020-21 State Budget appropriates \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds that the State was recently awarded. Of this amount, 90 percent (\$1.5 billion) will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive to be used for COVID-19 related costs. The remaining 10 percent (\$164.7 million) is available for certain COVID-19 related State-level activities, such as providing additional funding for student meals and social services.

Special Education. The 2020-21 State Budget increases special education base rates to \$625 per pupil pursuant to a new funding formula, apportioned using the existing hold harmless methodology, and provides \$100 million to increase funding for students with low-incidence disabilities. Additional federal funding received by the State is also allocated to various special education programs.

Average Daily Attendance. To ensure funding stability regardless of the instructional model undertaken in the 2020-21 academic year, the 2020-21 State Budget includes a hold harmless for the average daily attendance used to calculate school funding for

all local educational agencies and includes requirements for distance learning to ensure that, when in-person instruction is not possible, students continue to receive access to a quality education via distance learning.

In addition, the 2020-21 State Budget includes certain employee protection terms to ensure the continuity of employment for essential school staff during the COVID-19 pandemic. As such, the 2020-21 State Budget includes the suspension of the August 15, 2020, layoff window for teachers and other non-administrative certificated staff, and the suspension of layoffs for classified staff working in transportation, nutrition, and custodial services from July 1, 2020 through June 30, 2021. The 2020-21 State Budget also includes the intent of the State Legislature that school districts, community college districts, joint powers authorities, and county offices of education retain all classified employees in the 2020-21 fiscal year.

### **Disclaimer Regarding State Budgets**

The execution of the foregoing 2020-21 State Budget and future State Budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2020-21 State Budget, or subsequent State Budgets, will have on its own finances and operations.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the Owners of the Certificates to provide State Budget information to the District or the owners of the Certificates. Although they believe the sources of information listed below are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein.

### **Availability of State Budgets**

The complete 2020-21 State Budget is available from the California Department of Finance website at [www.ebudget.ca.gov](http://www.ebudget.ca.gov). Impartial analyses are published by the Legislative Analyst Office, and can be accessed at [www.lao.ca.gov/budget](http://www.lao.ca.gov/budget). The District can take no responsibility for the continued accuracy of internet addresses referenced herein or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Certificates.

## **Uncertainty Regarding Future State Budgets**

The District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures or possible future budget deficits. Future State Budgets will be affected by national and State economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State Budget process results in reduced revenues to the District, the District will be required to make adjustments to its own budgets.

## ***Ad Valorem* Property Taxation**

**General.** One of the District's local revenue sources which contributes to its general fund is its share of the 1% local property tax collected annually and distributed to taxing agencies by the County as described herein.

**Property Tax Levy and Collection Procedures.** Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated 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 County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on August 1 and March 1 of each fiscal year. If unpaid, such taxes become delinquent on August 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

## **Assessed Valuations**

**Generally.** The assessed valuation of property in the District is established by the San Bernardino County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING

DISTRICT REVENUES AND APPROPRIATIONS.” Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

**Assessed Valuation History.** The table following shows a recent history of the District’s assessed valuation.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
**Assessed Valuation**  
**Fiscal Year 2005-06 through Fiscal Year 2019-20**

<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2005-06	\$4,016,015,579	\$6,676,621	\$120,246,257	\$4,142,938,457	--
2006-07	5,367,536,583	6,426,913	125,902,708	5,499,866,204	32.8%
2007-08	6,785,666,094	3,300,970	145,851,093	6,934,818,157	26.1
2008-09	6,897,529,385	2,979,250	164,304,900	7,064,813,535	1.9
2009-10	5,632,742,888	2,979,250	182,138,805	5,817,860,943	(17.7)
2010-11	4,982,225,288	2,979,250	165,378,103	5,150,582,641	(11.5)
2011-12	4,915,738,567	2,979,250	161,878,132	5,080,595,949	(1.4)
2012-13	4,864,695,645	2,979,250	160,635,241	5,028,310,136	(1.0)
2013-14	5,076,429,087	2,979,250	169,344,074	5,248,752,411	4.4
2014-15	5,367,972,926	2,253,053	175,709,135	5,545,935,114	5.7
2015-16	5,776,765,884	2,253,053	175,950,171	5,964,969,108	7.6
2016-17	6,075,887,599	2,253,053	167,567,811	6,245,708,463	4.7
2017-18	6,479,768,383	2,253,053	163,191,391	6,645,212,827	6.4
2018-19	6,861,727,506	2,253,053	161,998,523	7,025,979,082	5.7
2019-20	7,367,098,378	5,240,528	169,382,693	7,541,721,599	7.3

*Source: California Municipal Statistics, Inc.*

As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and natural disasters such as earthquakes, fires, floods and droughts.

Notable natural disasters in recent years include drought conditions throughout the State, and wildfires that have occurred in recent years in different regions of the State, which damaged and threatened thousands of homes.

In addition, the world is currently experiencing a global pandemic as a result of the outbreak of COVID-19 which may have a negative impact on local property values, but the impact is uncertain at this time. The COVID-19 emergency could cause general marked declines in property values. For disclosure relating to the COVID-19 emergency, see also “RISK FACTORS – Infectious Disease Outbreak and COVID-19 Global Pandemic.”

The District cannot predict or make any representations regarding the effects that natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

See also “RISK FACTORS – Infectious Disease Outbreak and COVID-19 Global Pandemic.”

A State constitutional amendment designated as the California Schools and Local Community Funding Act of 2020, has qualified by initiative for the November 3, 2020 ballot which, if approved by State voters by majority vote, would amend the State Constitution to change to a split roll approach to determine property values for purposes of property taxation. If approved, the State Constitution will be amended to provide for the reassessment to fair market value of certain commercial and industrial real properties every three years, overriding the current two percent limitation on annual assessment increases until a property changes ownership. The resulting increases in property tax revenues would be allocated among local public agencies. The District cannot predict if such initiative will be successful or the impact it might have on assessed values in the District.

### **Appeals of Assessed Value**

There are two types of appeals of assessed values that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” in APPENDIX B.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the 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. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

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. These reductions are subject to yearly reappraisals and are 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.

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.

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers, or blanket reassessments initiated by the County Assessor.

## **Tax Levies and Delinquencies**

The Board of Supervisors has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

So long as the Teeter Plan remains in effect, the District’s receipt of revenues with respect to the levy of ad valorem property taxes will not be dependent upon actual collections of the ad valorem property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire County and, in addition, the Board of Supervisors can terminate the Teeter Plan with respect to the District if the delinquency rate for all ad valorem property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of ad valorem property taxes in the District would depend upon the collections of the ad valorem property taxes and delinquency rates experienced with respect to the parcels within the District. The District is not aware of any plans by the County to terminate the Teeter Plan.

## Largest Secured Property Taxpayers in District

The following table shows the 20 largest secured property taxpayers in the District as determined by secured assessed valuation in fiscal year 2019-20. 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. 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.

### HESPERIA UNIFIED SCHOOL DISTRICT Top Twenty Secured Property Taxpayers Fiscal Year 2019-20

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total <sup>(1)</sup></u>
1.	Wal-Mart Stores Inc.	Commercial	\$52,021,171	0.71%
2.	West Main Villas LLC	Apartments	39,975,495	0.54
3.	WLPX Hesperia LLC	Commercial	31,588,932	0.43
4.	Carl E. Ross Living Trust	Undeveloped	30,337,367	0.41
5.	Amargosa LLC	Industrial	24,248,603	0.33
6.	Target Corporation	Commercial	23,825,371	0.32
7.	Best Way Disposal Co. Inc.	Industrial	23,347,801	0.32
8.	Bear Valley Partners	Commercial	22,788,283	0.31
9.	Rim Properties	Apartments	19,936,346	0.27
10.	Lowes HIW Inc.	Commercial	19,509,129	0.26
11.	Sparkys Storage 18 CA LP	Industrial	15,541,373	0.21
12.	Hesperia Marketplace Cap Partners LP	Commercial	14,796,992	0.20
13.	Associated Global Partners LLC	Undeveloped	13,520,198	0.18
14.	MPNR Properties LLC	Commercial	13,175,460	0.18
15.	Crossings at Hesperia LP	Apartments	12,970,504	0.18
16.	Sunshine Hotels II LLC	Hotel	12,550,120	0.17
17.	Dunia Plaza LLC	Commercial	12,485,373	0.17
18.	St. Mary Medical Center	Undeveloped	12,253,841	0.17
19.	Colima JJ Plaza LLC	Commercial	12,063,438	0.16
20.	Villas 154 LP	Apartments	<u>11,404,480</u>	<u>0.15</u>
			<u>\$418,340,277</u>	<u>5.68%</u>

(1) 2019-20 local secured assessed valuation: \$7,367,098,378.

Source: California Municipal Statistics, Inc.

## Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. for debt issued as of April 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.

### HESPERIA UNIFIED SCHOOL DISTRICT Statement of Direct and Overlapping Bonded Debt Dated as of April 1, 2020

2019-20 Assessed Valuation: \$7,541,721,599

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/20</u>
San Bernardino Valley Community College District	0.001%	\$ 7,384
Victor Valley Joint Community College District	22.955	29,923,395
Mojave Water Agency	19.901	962,213
Hesperia Unified School District Community Facilities District No. 2006-5	100.000	6,145,000
Hesperia Unified School District Community Facilities District No. 2013-1	100.000	2,480,000
City of Hesperia Community Facilities District No. 2005-1	100.000	<u>15,935,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$55,452,992
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	3.182%	\$ 7,609,435
San Bernardino County Pension Obligations	3.182	7,548,106
San Bernardino County Flood Control General Fund Obligations	3.182	1,818,672
<b>Hesperia Unified School District Certificates of Participation</b>	<b>100.000</b>	<b>118,665,000<sup>(1)</sup></b>
Town of Apple Valley Certificates of Participation	0.002	140
City of Hesperia Certificates of Participation	98.792	<u>33,115,078</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$168,756,431
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		
Hesperia Redevelopment Project Areas	99.664%	\$106,226,874
Victor Valley Economic Development Authority	9.281	<u>26,954,801</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$133,181,675
 COMBINED TOTAL DEBT		 \$357,391,098 <sup>(2)</sup>

Ratios to 2019-20 Assessed Valuation:

Total Overlapping Tax and Assessment Debt .....	0.74%
<b>Combined Direct Debt (\$118,665,000).....</b>	<b>1.57%</b>
Combined Total Debt.....	4.74%

Ratios to Redevelopment Incremental Valuation (\$4,276,494,783):

Total Overlapping Tax Increment Debt .....	3.11%
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(1) Excludes Certificates to be sold but includes the 2013 Certificates to be refunded.

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

Source: California Municipal Statistics, Inc.

## COUNTY INVESTMENT POOL

In accordance with Government Code Section 53600 *et seq.*, the San Bernardino County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. For further information concerning County investments, access the County's website at [www.sbcounty.gov/atc](http://www.sbcounty.gov/atc). The information contained in such website has not been reviewed by the District or the Underwriter and is not incorporated in this Official Statement by reference. See also APPENDIX G hereto for a copy of the County's current investment policy and summary of pooled investment fund.

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 62, 98, 111, 187 and 218, 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 District to levy taxes and spend tax proceeds for operating and other purposes.

### Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

### Article XIII A of the California Constitution

**Basic Property Tax Levy.** On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIII A to the State Constitution ("**Article XIII A**"). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) (as a result of an amendment to Article XIII A approved by State voters on November 7, 2000) 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% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

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.

**Inflationary Adjustment of Assessed Valuation.** As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the San Bernardino County Superior Court, in *County of Orange v. San Bernardino County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the San Bernardino County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

### **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. 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 under 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, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article 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. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

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 under Section 8.5 of Article XVI of the State Constitution.

### **Unitary Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the State Board of Equalization ("**SBE**") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

### **Articles XIII C and XIII D**

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or

repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

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

Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While 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), the District does not believe that Proposition 218 will directly impact the revenues available to pay Lease Payments and therefore payments due on the Certificates.

### **Proposition 98**

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

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

### **Proposition 111**

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit 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:

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

**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.

**Exclusions from Spending Limit.** Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

**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.

**School Funding Guarantee.** There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the “**first test**”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to *per capita* personal income) and enrollment (the “**second test**”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the “**third test**”). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

### **Proposition 39**

On November 7, 2000, California voters approved an amendment (commonly known as “**Proposition 39**”) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

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

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

On November 2, 2004, California voters approved Proposition 1A, which amended 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-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in fiscal year 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. 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 amended 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, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provisions of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

## **Proposition 30**

Proposition 30 appeared on the November 6, 2012 statewide ballot as an initiated constitutional amendment ("**Proposition 30**"), and it was approved by State voters. Proposition 30 increased the State sales tax from 7.25% to 7.50%, increased personal income tax rates on higher income brackets for seven years, and temporarily imposed an additional tax on all retailers,

at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax is levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for heads of household and over \$500,000 but less than \$600,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for heads of household and over \$600,000 but less than \$1,000,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$680,000 for heads of household and over \$1,000,000 for joint filers).

The revenues generated from the temporary tax increases are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "Proposition 98" and "Proposition 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be 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 boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, is a constitutional amendment initiative that was approved by voters in the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 would be allocated 89% to K-12 schools and 11% to community colleges.

### **Future Initiatives and Changes in Law**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 111, 22, 26, 30 and 39 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures or other legislative enactments 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.

## **RISK FACTORS**

*The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Certificates. The discussion does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District's ability to make Lease Payments in the future, or the effectiveness of any remedies that the Trustee may have or circumstances under which Lease Payments may be abated.*

### **No Pledge of Taxes**

The Lease Payments and other payments due under the Lease Agreement are not secured by any pledge of taxes or other revenues of the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Lease Payments." The Lease Payments are secured by a District covenant to annually budget and appropriate sufficient funds to make Lease Payments from any lawfully available funds, including the general fund. In the event that the District's general fund revenues are less than its total obligations, the District may choose to pay other costs or expenses before making the Lease Payments.

The obligation of the District to pay the Lease Payments and Additional Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay Lease Payments and Additional Payments does not constitute a debt or indebtedness of the Corporation, the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay Lease Payments and Additional Payments from any source of legally available funds (subject to certain exceptions) and the District has covenanted in the Lease Agreement that, for as long as the Leased Property is available for its use and possession, it will make the necessary annual appropriations within its budget for all Lease Payments and Additional Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

The District is currently liable on other obligations payable from general revenues and may incur additional obligations payable from its general fund.

### **Additional Obligations of the District**

Under the Lease Agreement the District is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of owners of the Certificates. To the extent that additional obligations are incurred by the District, the funds available to pay Lease Payments may be decreased.

### **Limited Recourse on Default**

Whenever any event of default referred to in the Lease Agreement happens and continues, the Trustee, as the assignee of the Corporation, is authorized under the terms of the Lease Agreement to exercise any and all remedies available under law or granted under the Lease Agreement.

**Notwithstanding a default under the Lease Agreement, there is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then due or past due to be immediately due and payable. Neither the Corporation nor the Trustee has any right to re-enter or re-let the Leased Property except following the occurrence and during the continuation of an event of default under the Lease Agreement.**

Following an event of default, the Corporation may elect either to terminate the Lease Agreement and seek to collect damages from the District or to maintain the Lease Agreement in effect and seek to collect the Lease Payments as they become due. The Lease Agreement further provides that so long as an event of default exists under the Lease Agreement, the Corporation, or its assignee, may re-enter the Leased Property for the purpose of taking possession of all or any portion of the Leased Property and to re-let the Leased Property and, in addition, at its option, with or without such entry, to terminate the Lease Agreement as described therein. See “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement.”

No assurance can be given that the Trustee will be able to re-let the Leased Property so as to provide rental income sufficient to pay principal and interest evidenced by the Certificates in a timely manner or that such re-letting will not adversely affect the exclusion of interest with respect thereto from gross income for federal or State income tax purposes. Furthermore, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect to the Leased Property.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement and the Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the Certificates or pay debt service with respect thereto. The District will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year’s defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against public entities in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

### **Abatement**

The obligation of the District under the Lease Agreement to pay Lease Payments is in consideration of the use and possession of the Leased Property.

Under certain circumstances relating to damage, destruction, condemnation or title defects with respect to the Leased Property which cause a substantial interference with the use and possession of the Leased Property, the District’s obligation to make Lease Payments is subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest with respect to the Certificates as and when due. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement” and “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement.” Abatement is not a default under the Lease Agreement and does not result in the Trustee having the right to take any action to avail itself of any remedy against the District.

## **Infectious Disease Outbreak and COVID-19 Global Pandemic**

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the World Health Organization announced the official name for the outbreak of COVID-19. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world. The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Governor of the State and the President of the United States.

The District's operations and financial results could be harmed by a national or localized outbreak of a highly contagious or epidemic disease, such as the current COVID-19 pandemic. The District cannot predict any costs associated with the potential treatment of an infectious disease outbreak or preparation for such treatment.

The outbreak of COVID-19 was declared a pandemic by the World Health Organization, a national emergency by the President of the United States (the "**President**") and a state of emergency by the Governor of the State (the "**Governor**"). There has been tremendous volatility in the markets in the United States and globally, resulting in significant declines and speculation of a national and global recession.

On March 19, 2020, the Governor issued a shelter-in-place order, Executive Order N-33-20, ordering all California residents to stay home except to get food, care for a relative, get necessary healthcare or go to an essential job. The stay at home order has loosened, though infection rates of COVID-19 continue to grow, and the Governor has indicated that additional orders may be enacted.

**The District is unable to predict the ultimate impact of the COVID-19 pandemic on the District's finances, and there can be no assurance that the COVID-19 pandemic will not have a material effect on the District's ability to make the Lease Payments.**

### **Property Taxes**

**Levy and Collection.** The District does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the District's share of local property tax revenues, and accordingly, could have an adverse impact on the ability of the District to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the District's ability to pay principal and interest with respect to the Certificates when due.

**Reduction in Inflationary Rate.** Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. The District is unable to predict if any adjustments to the full cash value base of real property within the District, whether an increase or a reduction, will be realized in the future.

**Reassessments and Appeals of Assessed Values.** There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the District would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

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, 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. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are 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. However, current case law is uncertain as to whether or not property may be adjusted to its prior value at once or if adjustments may only be made subject to the 2% limitation. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution – Litigation Regarding 2% Limitation."

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their 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.

No assurance can be given that property tax appeals or blanket reassessments initiated by the County Assessor in the future will not significantly reduce the District's property tax revenues.

**Local Housing Market.** Economic downturns, such as those that have been experienced in recent years on a national scale, can have a negative impact on local property values, in part due to fallout from the subprime mortgage crisis, tight credit markets and the recession. High rates of foreclosures tend to depreciate values of homes in the overall market, which could lead to more Proposition 8 appeals. Although the District's total assessed valuation is again increasing, it is not possible to predict how a future mortgage crisis, tightening credit markets, increased

foreclosure activity and major reductions in home prices throughout the region could affect home values, assessed values, assessment appeals or collections of property taxes by the County.

### **State Budget Considerations**

School districts in California receive a significant amount of their funding from State appropriations, as determined in each year's State budget. As a result, decreases in State revenue sources may impact the amount of funds appropriated to school districts, as has occurred in recent years. A deterioration in the State's economy due to factors such as reduced income tax revenues and sales tax revenues can negatively impact the State budget and the District's revenues, and therefore funds available to make Lease Payments. In addition, the State Legislature has at times adopted legislation in connection with its annual budgets which may impact education funding, and may do so again in the future. The District cannot predict how State budgets and future legislation may impact its finances.

### **Absence of Earthquake and Flood Insurance**

If any portion of the Leased Property is destroyed or rendered useless by a natural hazard such as an earthquake or flood, an abatement could occur and result in the Trustee having inadequate funds to pay the principal and interest represented by the Certificates as and when due. The Lease Agreement does not require the District to obtain earthquake or flood insurance on the Leased Property.

All building components of the Leased Property were constructed under the standards of the "Field Act" (California State Building Code, Title 24). The Field Act requires substantially higher construction standards for public schools and hospitals than are required for other types of construction. The Field Act requires that building systems be capable of withstanding seismic forces from the "most credible" earthquake likely to occur in the vicinity of the building system being constructed.

### **Limitations on Remedies; Bankruptcy**

The rights of the owners of the Certificates are subject to the limitations on legal remedies against public entities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Certificates, and enforcement of the District's obligations under the Lease Agreement, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State.

Bankruptcy proceedings under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the District, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Certificates 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. See "— Limited Recourse on Default" above.

## **Risks Related to Municipal Bond Insurance**

As discussed herein, concurrently with the issuance of the Certificates, AGM will issue its Policy to guarantee the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement. With the purchase of such an insurance policy, the following are risk factors relating to certificate insurance.

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the Certificate Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Certificate Insurer without appropriate consent. The Certificate Insurer may direct and must consent to any remedies and the Certificate Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Certificate Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the moneys received pursuant to the Trust Agreement. In the event the Certificate Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

The long-term ratings on the Certificates are dependent in part on the financial strength of the Certificate Insurer and its claim paying ability. The Certificate Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Certificate Insurer and of the ratings on the Certificates insured by the Certificate Insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See description of "RATINGS" herein.

The obligations of the Certificate Insurer are general obligations of the Certificate Insurer and in an event of default by the Certificate Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Certificate Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Certificate Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay

principal and interest on the Certificates and the claims paying ability of the Certificate Insurer, particularly over the life of the investment. See “CERTIFICATE INSURANCE” herein for further information provided by the Certificate Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Certificate Insurer.

## LEGAL OPINION

The proceedings in connection with the authorization, sale, execution and delivery of the Certificates are subject to the approval as to their legality of Jones Hall, A Professional Law Corporation, San Francisco, California (“**Special Counsel**”). A copy of the legal opinion, certified by the official in whose office the original is filed, will be attached to each Certificate, and a form of such opinion is attached as APPENDIX D. Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as Disclosure Counsel to the District (“**Disclosure Counsel**”). Kutak Rock LLP is serving as counsel to the Underwriter (“**Underwriter’s Counsel**”).

*Payment of the fees of Special Counsel, Disclosure Counsel, the Trustee, the Escrow Agent, the Underwriter and Underwriter’s Counsel is contingent upon the execution and delivery of the Certificates.*

## FINANCIAL ADVISOR

Isom Advisors, A Division of Urban Futures, Inc., Walnut Creek, California, is acting as the District’s financial advisor in connection with the Certificates. The Financial Advisor is a registered “Municipal Advisor” with the Securities Exchange Commission and the Municipal Securities Rulemaking Board. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The fees of the Financial Advisor with respect to the Certificates are contingent upon their sale and delivery. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

## TAX MATTERS

**Federal Tax Status.** The portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is not excluded from gross income for federal income tax purposes.

**California Tax Status.** In the further opinion of Special Counsel, the portion of Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Other than as expressly described above, Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates, the ownership, sale or disposition of the Certificates, or the amount, accrual or receipt of interest with respect to the Certificates.

## NO LITIGATION

There is no action, suit or proceeding known to be pending, or threatened, restraining or enjoining the execution or delivery of the Certificates, the Trust Agreement, the Lease Agreement, the Site Lease, the Assignment Agreement or any other document relating to the Certificates or in any way contesting or affecting the validity of the foregoing.

There are a number of lawsuits and claims pending against the District which have arisen in the regular course of administering the affairs of the District. In the opinion of the District, such suits and claims as are presently pending will not have a material adverse affect on the ability of the District to make Lease Payments with respect to the Certificates.

## ESCROW VERIFICATION

Causey Demgen & Moore P.C., Denver, Colorado (the “**Verification Agent**”), upon delivery of the Certificates, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to the sufficiency of the anticipated amount of proceeds of the Certificates and other funds deposited into the Escrow Fund and available to pay, when due, the principal, whether at maturity or upon prior prepayment, interest and prepayment premium requirements of the 2013 Certificates being refunded with proceeds of the Certificates.

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

## RATINGS

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“**S&P**”), is expected to assign a rating of “AA” to the Certificates, based on the understanding that AGM will deliver its Policy with respect to the Certificates. See “CERTIFICATE INSURANCE.”

Additionally, S&P has assigned an underlying rating of “A” to the Certificates. Such ratings reflect only the view of S&P and an explanation of the significance of such ratings may be obtained only from S&P. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

Future events, including the impacts of the COVID-19 pandemic that is described under the caption “RISK FACTORS — Infectious Disease Outbreak and COVID-19 Global Pandemic,” could have an adverse impact on the rating of the Certificates, and there is no assurance that the criteria required by S&P to achieve the rating on the Certificates will not change during the period that the Certificates remain outstanding.

There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

## CONTINUING DISCLOSURE

The District has covenanted, for the benefit of holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board on an annual basis (an “**Annual Report**”) not later than nine months after the end of the District’s fiscal year (which currently would be March 31), commencing March 31, 2021, with the report for the 2019-20 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and other required notices will be filed by the District with the Municipal Securities Rulemaking Board (the “**MSRB**”) in the manner prescribed by the Securities Exchange Commission. The specific nature of such information is set forth below under the caption APPENDIX E – “Form of Continuing Disclosure Certificate.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “**Rule**”).

The District has prior undertakings pursuant to the Rule. In the previous five years, the District failed to correctly link its fiscal year 2014-15 audited financial statements and 2015-16 budget to certain of its outstanding CUSIPs, though such filings were timely made. Such instances of non-compliance has since been remediated.

The District has engaged Isom Advisors, a Division of Urban Futures, Inc. to serve as its dissemination agent with respect to its undertakings in connection with each of its undertakings including the Certificates.

## UNDERWRITING

The Certificates are being purchased by RBC Capital Markets, LLC (the “**Underwriter**”). Under a Certificate Purchase Agreement (the “**Certificate Purchase Agreement**”), the Underwriter has agreed to purchase the Certificates at a purchase price of \$\_\_\_\_\_ (which is equal to the principal amount represented by the Certificates, plus/less original issue premium/discount of \$\_\_\_\_\_, less an Underwriter's discount of \$\_\_\_\_\_). The Purchase Agreement provides that the Underwriter will purchase all of the Certificates (if any are purchased), and the Underwriter’s obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

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.

**EXECUTION**

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

**HESPERIA UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
Superintendent

## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

*The following is a brief summary of certain provisions of the Site Lease, the Lease Agreement, the Trust Agreement, and the Assignment Agreement. This summary is not intended to be definitive and is qualified in its entirety by reference to such documents for the complete terms thereof. Copies of such documents are available upon request from the Hesperia Unified School District.*

#### DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary but previously defined in this Official Statement have the respective meanings previously given.

“Additional Payments” means the amounts payable by the District under the Lease Agreement.

“Assignment Agreement” means the Assignment Agreement, dated as of July 1, 2020, between the Corporation as assignor and the Trustee as assignee, as originally executed or as thereafter amended under any duly authorized and executed amendments thereto.

“Business Day” means a day other than a Saturday, Sunday or legal holiday, on which banking institutions are not closed in the State of California or in any state in which the Office of the Trustee is located.

“Certificate Insurance Policy” means the Municipal Bond Insurance Policy issued by the Certificate Insurer with respect to the Certificates.

“Certificate Insurer” means Assured Guaranty Municipal Corp., its successors and assigns, as issuer of the Reserve Policy and the Certificate Insurance Policy.

“Closing Date” means the day when the Certificates, duly executed by the Trustee, are delivered to the original purchaser thereof.

“Escrow Agreement” means the Escrow Agreement dated as of the Closing Date, between the District and the Escrow Bank, relating to the deposit, investment and application of funds for the purpose of prepaying and discharging the Prior Certificates and the Prior Lease Payments.

“Escrow Bank” means U.S. Bank National Association, its successor and assigns, acting as escrow bank under the Escrow Agreement.

“Event of Default” means any one or more of the events which are defined to be events of default under the Lease Agreement.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the timely payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

“Fiscal Year” means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period by the District as its fiscal year under written notice filed with the Trustee.

“Lease Payment Date” means, with respect to any Payment Date, the fifteenth day of the month preceding such Payment Date.

“Leased Property” means all of the land which is more particularly described in Appendix A to the Lease Agreement, consisting generally of the land and improvements which constitute the the Hesperia Junior High School and the Hesperia High School, collectively. If the District exercises its option under the Lease Agreement with respect to the substitution of property or its option under the Lease Agreement with respect to the release of property, the term “Leased Property” will thereupon be modified accordingly.

“Net Proceeds” means any insurance proceeds or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“Office” means the corporate trust office of the Trustee, provided that for purposes of payment, prepayment, exchange, transfer, exchange, surrender and cancellation of Certificates, such term means the designated corporate trust operations or agency office of the Trustee, or such other or additional offices as the Trustee may designate in writing to the Corporation from time to time as the corporate trust office for purposes of this Trust Agreement.

“Owner”, when used with respect to a Certificate, means the person in whose name the ownership of such Certificate is registered on the registration books maintained by the Trustee.

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may permit to remain unpaid under the Lease Agreement; (b) the Site Lease, the Lease Agreement and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor which is secured by a lien on the Leased Property; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Guaranty Company; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the District certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (the Trustee entitled to rely upon the investment direction of the District as a determination that such investment is such a legal investment):

- (a) Federal Securities.
- (b) obligations of any federal agencies which obligations represent full faith and credit of the United States of America;
- (c) bonds, notes or other evidences of indebtedness rated AA or better by S&P, issued by Fannie Mae or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;
- (d) U.S. dollar denominated deposit accounts (including those with the Trustee or any of its affiliates), federal funds, deposit accounts, certificates of deposit (including those placed by a third party pursuant to an agreement between the District and the Trustee), bank deposit products, overnight bank deposits, interest bearing deposits, interest bearing money market accounts and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of rated A-1+ or better by S&P or which are insured by the Federal Deposit Insurance Corporation, maturing no more than 360 days after the date of purchase;
- (e) certificates of deposit issued by federal or State chartered savings and loan associations or in federal or State banks (including the Trustee and its affiliates) which are secured at all times by collateral described in the foregoing clauses (a) or (b) of this definition;
- (f) commercial paper which is rated at the time of purchase in the single highest classification, rated A-1+ or better by S&P at the time of purchase;
- (g) bonds or notes issued by an state or municipality which are rated AA or better by S&P;
- (h) the Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.

"Prior Certificates" means (i) the \$42,520,000 Certificates of Participation (2013 School Facility Bridge Restructuring Program), Series A, and (ii) the \$10,175,000 Certificates of Participation (2013 School Facility Bridge Restructuring Program), Series B (Taxable) under the Prior Trust Agreement.

"Prior Lease Payments" means the amounts payable by the District as semiannual lease payments under the Lease Agreement dated as of April 1, 2013, between the Hesperia School District Financing Corporation and the District.

"Prior Trust Agreement" means the Trust Agreement dated as of April 1, 2013, among the Authority, the District and U.S. Bank National Association as trustee, under which the Prior Certificates have been executed and delivered.

"Reserve Fund" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Reserve Policy” means the debt service reserve insurance policy which is issued by the Certificate Insurer for the credit of the Reserve Fund.

“Reserve Requirement” means the lesser of maximum annual debt service, 10% of the par amount of the Certificates, or 125% of average annual Lease Payments.

“S&P” means Standard & Poor’s Global Ratings, of New York, New York, and its successors.

“Special Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Tax Code.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

## **SITE LEASE**

Under the Site Lease, the District leases the Leased Property to the Corporation for the purpose of providing funds to refinance the Prior Lease Payments and the Prior Certificates through the execution and delivery of the Certificates. The Site Lease is for a term commencing on the Closing Date and extending to the date on which no Certificates remain outstanding under the Trust Agreement, but not later than 10 years following the final stated maturity date of the Certificates. The Corporation agrees to pay an amount to the District as rental of the Leased Property thereunder, to be funded on the Closing Date from the proceeds of the Certificates. The District will apply the amount of such rental payment to refinance the Prior Lease Payments and the Prior Certificates in accordance with the Escrow Agreement and the Trust Agreement. Upon the termination of the Site Lease, the Corporation will surrender the Leased Property to the District in the same good order and condition as the Leased Property was in at the time of commencement of the Site Lease, reasonable wear and tear excepted, and all buildings, improvements and structures then existing upon the Leased Property will remain thereon and title thereto will vest in the District for no additional consideration.

## **LEASE AGREEMENT**

### **Lease of Leased Property**

Under the Lease Agreement, the Corporation leases the Leased Property to the District. The Lease Agreement commences on the Closing Date and terminates on the date on which the Certificates are paid or deemed to have been paid in full, except under certain circumstances such as the taking of all or any portion of the Leased Property in eminent domain proceedings. Under any circumstances, the Lease Agreement terminates 10 years following the final stated maturity date of the Certificates.

## **Lease Payments**

The District agrees to pay semiannual Lease Payments, subject to abatement as described below, as the rental for the use and occupancy of the Leased Property under the Lease Agreement. On each Lease Payment Date, the District is required to deposit with the Trustee the full amount of the Lease Payments coming due and payable on the next Payment Date, to the extent required to be paid by the District under the Lease Agreement. Any amount on deposit in the Lease Payment Fund on any Lease Payment Date will be credited towards the payment then required to be deposited by the District with the Trustee.

The District is obligated to pay the Lease Payments from any source of available funds, subject to the provisions of the Lease Agreement relating to abatement due to damage or eminent domain with respect to the Leased Property. The District agrees to take such actions as may be necessary to include all Lease Payments required to be paid by it under the Lease Agreement in its annual budgets and to appropriate such Lease Payments in each Fiscal Year during the term of the Lease Agreement.

## **Abatement of Lease Payments**

The Lease Payments are subject to abatement under the Lease Agreement during any period in which due to damage or destruction of the Leased Property in whole or in part, due to material title defect in any portion of the Leased Property or due to taking in eminent domain proceedings of the Leased Property in whole or in part, there is substantial interference with the District's use and occupancy of all or any portion of the Leased Property. The amount of such abatement will be determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. In the event of such abatement, the District will have no obligation to pay abated Lease Payments and there is no remedy available to Certificate Owners arising from such abatement.

## **Additional Rent**

In addition to the Lease Payments, the District agrees to pay when due, as additional rental for the Leased Property, all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement, all amounts due and owing to the Trustee, and all amounts due to the Certificate Insurer that do not constitute payment of Lease Payments. Such additional payments include amounts which are due and payable to the Certificate Insurer with respect to the Reserve Policy and the Certificate Insurance Policy.

## **Title**

At all times during the term of the Lease Agreement, the District will hold title to the Leased Property, subject to the provisions of the Site Lease, the Lease Agreement and other Permitted Encumbrances. Any sale, substitution, release, transfer, lease, assignment mortgage or encumbrance with respect to the Leased Property is subject to the prior written consent of the Certificate Insurer.

## **Substitution of Property**

The District may at any time and from time to time, with the prior written consent of the Certificate Insurer, substitute other real property (the "Substitute Property") for the Leased

Property or any portion thereof (the "Former Property"), under the Site Lease and the Lease Agreement, upon satisfaction of the requirements set forth in the Lease Agreement, including the following:

- (a) No Event of Default has occurred and is continuing.
- (b) The District has obtained a CLTA policy of title insurance insuring the District's leasehold estate in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof;
- (c) The District has certified in writing to the Corporation and the Trustee that such Substitute Property serves the educational purposes of the District and constitutes property which the District is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the District and to serve an essential governmental function of the District;
- (d) The District has filed with the Corporation and the Trustee an appraisal or other written documentation which establishes that the estimated value and the fair rental value of the Substitute Property are at least equal to the estimated value and the fair rental value, respectively, of the Former Property, and that the useful life of the Substitute Property at least equals the lesser of (i) the useful life of the Former Property, or (ii) the final Lease Payment Date of the Lease Payments; and
- (e) The District has mailed written notice of such substitution to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the term of the Lease Agreement will thereupon end as to the Former Property and commence as to the Substitute Property. The District is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of the substitution.

### **Release of Property**

The District has the option at any time and from time to time, with the prior written consent of the Certificate Insurer, to release any portion of the Leased Property from the Lease Agreement and the Site Lease (the "Released Property"), upon satisfaction of the requirements set forth in the Lease Agreement, including the following:

- (a) No Event of Default has occurred and is continuing.
- (b) The District has certified in writing to the Corporation and the Trustee that the estimated value of the property which remains subject to the Lease Agreement and the Site Lease following such release is at least equal to the aggregate original principal amount of the Certificates, and the fair rental value of the property which remains subject to the Lease Agreement and the Site Lease following such release is at least equal to the Lease Payments thereafter coming due and payable under the Lease Agreement.

- (c) The District has mailed written notice of such release to each rating agency which then maintains a rating on the Certificates.

Upon the satisfaction of all such conditions precedent, the term of the Lease Agreement will thereupon end as to the Released Property. The District is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

### **Maintenance, Utilities, Taxes and Modifications**

The District, at its own expense, has agreed to maintain or cause to be maintained the Leased Property in good repair; the Corporation has no responsibility for such maintenance. The District is also obligated to pay all taxes and assessments charged to the Leased Property. The District has the right under the Lease Agreement to remodel the Leased Property and to make additions, modifications and improvements to the Leased Property, so long as those additions, modifications and improvements are of a value which is not substantially less than such value of the Leased Property immediately prior to making the additions, modifications and improvements. The District will not permit any mechanic's or other lien to be established or to remain against the Leased Property, except that the District has the right in good faith to contest any such lien.

### **Insurance**

The Lease Agreement requires the District to maintain or cause to be maintained the following insurance against risk of physical damage to the Leased Property and other risks for the protection of the Certificate Owners, the Corporation and the Trustee:

Public Liability and Property Damage Insurance. The District is required to maintain or cause to be maintained throughout the term of the Lease Agreement, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the District, a standard comprehensive general insurance policy or policies in protection of the Corporation, the District, and their respective members, officers, agents, employees and assigns. Said policy or policies must provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies must provide coverage in such liability limits and be subject to such deductibles as the District deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and with the prior written consent of the Certificate Insurer may be maintained in whole or in part in the form of a program of self-insurance by the District, or in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The proceeds of such liability insurance will be applied toward extinguishment or satisfaction of the liability with respect to which the proceeds of such insurance have been paid.

Fire and Extended Coverage Insurance. The District is required to maintain, or cause to be maintained, throughout the term of the Lease Agreement, casualty insurance against loss or damage to all buildings which constitute a part of the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the outstanding Certificates. Such insurance must, as nearly

as practicable, cover loss or damage by fire, explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and must include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the reasonable determination of the District, whose determination is final and conclusive. Such insurance may be subject to such deductibles as the District deems prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of any such insurance will be deposited by the Trustee in the Insurance and Condemnation Fund and applied at the election and direction of the District either to the repair or reconstruction of the damaged property or to the prepayment of the Lease Payments and the corresponding prepayment of outstanding Certificates.

Rental Interruption Insurance. The District is required to maintain, throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive future Fiscal Years, as a result of any of the hazards covered in the fire and extended coverage insurance described above. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of such insurance will be paid to the Trustee and deposited in the Lease Payment Fund, and will be credited towards the payment of the Lease Payments which would otherwise be abated as a result of insured damage to or destruction of the Leased Property.

Title Insurance. On or before the Closing Date the District will, at its expense, (a) cause the Assignment Agreement, the Site Lease and the Lease Agreement, or a memorandum thereof in form and substance approved by Special Counsel, to be recorded in the office of the San Bernardino County Recorder with respect to the Leased Property, and (b) obtain a CLTA title insurance policy from Stewart Title Guaranty Company insuring the District's leasehold estate in the Leased Property, subject only to Permitted Encumbrances, in an amount equal to the aggregate original principal amount of the Certificates. All Net Proceeds received under such title insurance policy will be deposited by the Trustee in the Lease Payment Fund and be credited towards the prepayment of the remaining Lease Payments.

All policies of insurance (other than the policy of public liability and property damage insurance) must provide that the Net Proceeds thereof are payable to the Trustee for application as provided in the Lease Agreement and the Trust Agreement. If any policy of public liability insurance is provided in the form of self-insurance by the District, the District must establish an insurance reserve for that purpose in an amount determined to be actuarially sound, and the District is not obligated to make any payment with respect to any insured event except from such reserves.

## **Prepayment of Lease Payments**

The District has the option to prepay the Lease Payments or post a security deposit to pay the Lease Payments, in whole or in part, in the amounts and on the dates set forth in the Lease Agreement. The optional prepayment dates and prices have been determined to correspond to the optional prepayment dates and prices applicable to the Certificates under the Trust Agreement. Any security deposit must be in an amount which, together the earnings thereon derived from investment in Federal Securities, is sufficient to pay the Lease Payments (or portion thereof) when due, and must be verified by an independent accountant.

## **Assignment; Subleases**

The Corporation has assigned certain of its rights under the Lease Agreement to the Trustee under the Assignment Agreement, including but not limited to its rights to receive the Lease Payments. The District may not assign any of its rights in the Lease Agreement. With the prior written consent of the Certificate Insurer, the District may sublease all or a portion of the Leased Property only with the prior written consent of the Corporation, and only under the conditions contained in the Lease Agreement, including the condition that such sublease does not cause the interest component of the Lease Payments to become subject to federal or State of California personal income taxes.

## **Amendment of Lease Agreement**

The Corporation and the District may at any time amend or modify any of the provisions of the Lease Agreement, but only: (a) with the prior written consents of the Certificate Insurer and the Owners of a majority in aggregate principal amount of the outstanding Certificates; or (b) with the prior written consent of the Certificate Insurer but without the consent of any of the Certificate Owners, if such amendment or modification is for any one or more of the following purposes:

- (a) to incorporate additional covenants and agreements of the District or to limit or surrender any rights or power therein reserved to or conferred upon the District;
- (b) to cure any ambiguity, or cure, correct or supplement any defective provision contained in the Lease Agreement, to conform to the original intention of the District and the Corporation;
- (c) to amend any provision thereof relating to the Tax Code, if in the opinion of Special Counsel such amendment will not adversely affect the exclusion from gross income of interest represented by any of the Certificates under the Tax Code;
- (d) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or to effectuate any substitution of property or any release or property as permitted by the Lease Agreement;
- (e) to obligate the District to pay additional amounts of rental for the use and occupancy of the Leased Property or any portion thereof, but only if (1) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which are applied

to finance the educational facilities of the District, and (2) the District has filed with the Trustee written evidence that the amendments made under this subsection (e) will not of themselves cause a reduction or withdrawal of any rating then assigned to the Certificates, or

- (f) in any respect whatsoever as the Corporation and the District may deem necessary or desirable, if in the opinion of Special Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Certificates.

### **Events of Default; Remedies**

Each of the following constitutes an Event of Default under the Lease Agreement:

- (a) Failure by the District to pay any Lease Payment or other payment required to be paid under the Lease Agreement at the time specified in the Lease Agreement.
- (b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clause (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation or the Trustee. If the District notifies the Corporation and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if the District commences to cure such failure within such 30-day period and thereafter diligently and in good faith cures such failure in a reasonable period of time, provided that such period shall not exceed 180 days after the delivery of such default notice to the District.
- (c) Certain events relating to the bankruptcy of the District.

For purposes of determining whether any event of default has occurred under and as described in the preceding clause (a), no effect shall be given to payments made by the Certificate Insurer under the Reserve Policy or the Certificate Insurance Policy.

Upon the occurrence and continuance of any Event of Default, the Corporation has the right to terminate the Lease Agreement or, with or without such termination, re-enter, take possession of and re-let the Leased Property. When the Corporation does not elect to terminate the Lease Agreement, the District remains liable to pay all Lease Payments as they come due and liable for damages resulting from such Event of Default. Any amounts collected by the Corporation from the reletting of the Leased Property will be credited towards the District's unpaid Lease Payments. Any net proceeds of re-leasing or other disposition of the Leased Property are required to be deposited in the Lease Payment Fund and applied to Lease Payments in order of payment date. Under the Assignment Agreement, the Corporation assigns all of its rights with respect to remedies in an Event of Default to the Trustee, so that all such remedies will be exercised by the Trustee as provided in the Trust Agreement.

The Trustee has no right to accelerate Lease Payments and, due to the governmental purposes which are served by the use of the Leased Property, it is unlikely that a court would permit the exercise of the remedies of re-entry, repossession or re-letting.

## **TRUST AGREEMENT**

### **Trustee**

The Trustee is appointed under the Trust Agreement and is authorized to prepare, execute and deliver the Certificates thereunder, and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the District's instructions.

### **Use of Certificate Proceeds**

The Trust Agreement creates the Lease Payment Fund, the Reserve Fund, the Costs of Issuance Fund, and the Insurance and Condemnation Fund to be held in trust by the Trustee for the benefit of the Certificate Insurer and the Certificate Owners.

Lease Payment Fund. There will be deposited in the Lease Payment Fund, when received by the Trustee, all Lease Payments and prepayments thereof (except reimbursement for funds drawn from the Reserve Fund, as described below). Moneys on deposit in the Lease Payment Fund will be used to pay principal and interest represented by the Certificates when due. Any earnings on investment of moneys in the Lease Payment Fund will remain therein and will be credited towards payment of the next Lease Payments. Any surplus remaining in the Lease Payment Fund after the payment of all Certificates, or after provision for their payment has been made, will be paid to the District.

Costs of Issuance Fund. The Trustee will deposit a portion of the proceeds of the Certificates in the Costs of Issuance Fund, to be expended to pay costs of issuance relating to the Certificates. All amounts remaining on deposit in the Costs of Issuance Fund and not required to pay costs of issuing the Certificates will be transferred to the Lease Payment Fund.

Reserve Fund. The Trustee will establish a special fund designated as the "Reserve Fund" to be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates, as a reserve for the payment when due of the Lease Payments on behalf of the District. The Reserve Fund will be maintained by the District in the form of the Reserve Policy, which will be issued in an amount equal to the Reserve Requirement. All amounts on deposit in the Reserve Fund in excess of the Reserve Requirement, and all amounts derived from the investment of amounts in the Reserve Fund which are not required to be retained therein to maintain the Reserve Requirement, will be transferred by the Trustee to the Lease Payment Fund semiannually on or before each Lease Payment Date.

If on any Payment Date the moneys available in the Lease Payment Fund do not equal the amount of the Lease Payment then coming due and payable, the Trustee will apply the moneys available in the Reserve Fund to make such payments on behalf of the District by transferring the amount necessary for this purpose to the Lease Payment Fund. Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Fund, such Lease Payment shall be deposited in the Reserve Fund to the extent of such advance.

## **Application of Insurance and Eminent Domain Proceeds**

Any Net Proceeds of insurance collected by the District in the event of accident to or destruction of the Leased Property will be paid to the Trustee under the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund which is held by the Trustee.

If the District determines and notifies the Trustee in writing of its determination, within 90 days following the date of such deposit, that the replacement, repair, restoration, modification or improvement of such improvements is not economically feasible or in the best interests of the District, then such Net Proceeds will be promptly transferred by the Trustee to the Lease Payment Fund and applied to the prepayment of Lease Payments and the corresponding prepayment of Certificates. In the event of damage or destruction of the Leased Property in full, such Net Proceeds may be transferred to the Lease Payment Fund to be used to prepay outstanding Certificates only if such Net Proceeds, together with other available moneys, are sufficient to cause the corresponding prepayment of all Lease Payments.

Any Net Proceeds deposited in the Insurance and Condemnation Fund and not applied to prepay the Lease Payments and the Certificates will be applied to replace, repair, restore, modify or improve the Leased Property. Payments will be made by the Trustee for such purpose upon receipt of written requisitions of the District filed with the Trustee. Any balance of the Net Proceeds remaining after the District files a written certificate with the Trustee stating that such work has been completed will be paid to the District.

If all or any part of the Leased Property is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom will be deposited with the Trustee in the Insurance and Condemnation Fund and will be applied and disbursed by the Trustee either to replace the Leased Property or prepay the Lease Payments and the Certificates, as set forth in the Trust Agreement.

## **Investment of Funds**

The Trustee is required to invest and reinvest all moneys held under the Trust Agreement, at the written direction of the District, in Permitted Investments maturing not later than the date moneys are expected to be required for expenditure. All income or profit on any investments of funds held by the Trustee under the Trust Agreement will be deposited in the respective funds from which such investments were made; except that all amounts derived from the investment of amounts in the Reserve Fund, to the extent not required to be retained in the Reserve Fund to maintain the Reserve Requirement, will be transferred to the Lease Payment Fund.

## **Remedies Upon Event of Default**

Exercise of Remedies; Limitation on Certificate Owners' Rights. Upon the occurrence of an Event of Default by the District under the Lease Agreement, the Trustee may, and if requested by the Owners of a majority in aggregate principal amount of the Certificates then outstanding the Trustee shall, exercise any and all remedies available at law or under the Lease Agreement.

The Trustee is granted the power to control the proceedings in the event of a default for the equal benefit of the Certificate Owners, and no Certificate Owner has the right to institute any suit, action or proceeding at law or in equity, unless (a) such Owner has previously notified the

Trustee of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the outstanding Certificates have requested the Trustee in writing to exercise its powers, (c) the Owners have tendered the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in complying with such request, and (d) the Trustee has failed to comply with such request for 60 days after receipt of such request and tender of such indemnity.

Application of Amounts Collected. Any amounts collected by the Trustee in an Event of Default are required to be applied first to the payment of the fees and expenses of the Trustee incurred in connection with such Event of Default and second to the payment of principal and interest represented by the Certificates (including interest on overdue installments of interest at the net effective rate of interest per annum then represented by the outstanding Certificates, but only to the extent funds are available for such purpose after payment of all other overdue amounts), ratably if necessary. Upon an Event of Default, the Trustee has a first lien on the amounts held under the Trust Agreement for its fees, charges and expenses.

Rights of Certificate Insurer. Notwithstanding any other provisions of the Trust Agreement or the Lease Agreement, the Certificate Insurer shall have the right, so long as it is not in payment default under the Certificate Insurance Policy, to direct the remedies to be taken upon any Event of Default, and the Certificate Insurer's consent shall be required for remedial action taken by the Trustee or the Corporation.

### **Amendment of Trust Agreement**

The Trust Agreement may be amended by agreement among the parties thereto without the consent of the Owners of the Certificates, for any one or more of the following purposes:

- (a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved to the Corporation or the District,
- (b) to cure, correct or supplement any ambiguous or defective provision,
- (c) in regard to questions arising under the Trust Agreement, as the parties may deem necessary or desirable and which amendment does not, in the opinion of Special Counsel, materially adversely affect the interests of the Owners of the Certificates,
- (d) if and to the extent permitted in the opinion of Special Counsel filed with the Trustee, the District and the Corporation, to delete or modify any provisions relating to the exclusion from gross income of interest represented by the Certificates under the Tax Code, or
- (e) to conform to any amendments of the Lease Agreement which are permitted to be made under the terms of the Lease Agreement as described above.

Any other amendment requires the approval of the Owners of a majority in aggregate principal amount of the Certificates then outstanding, provided that no such amendment may (a) extend the maturity or time of interest payment, or reduce the interest rate, amount of principal or premium payable on, any Certificate without such Owner's consent; (b) reduce the percentage of

Owners of Certificates required to consent to any amendment or modification; or (c) modify any of the Trustee's rights or obligations without its consent.

Notwithstanding the foregoing, the written consent of the Certificate Insurer is required with respect to an amendment to the provisions of the Trust Agreement recognizing or granting rights in or to the Certificate Insurer.

### **Defeasance**

Upon payment of the outstanding Certificates in whole, or upon the deposit of cash or non-callable Federal Securities with the Trustee sufficient with other available funds to retire the obligations represented by such Certificates at or before maturity, all rights thereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the District with respect to the Certificates ceases and terminates, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the District from funds so deposited, all sums represented thereby when due.

## **ASSIGNMENT AGREEMENT**

The Corporation and the Trustee will enter into the Assignment Agreement under which the Corporation assigns and sets over to the Trustee, for the benefit of the Certificate Insurer and the Owners of the Certificates, substantially all of the Corporation's rights under the Lease Agreement (subject to certain exceptions), including the right of the Corporation to receive and collect Lease Payments, its right to receive and collect proceeds of condemnation and insurance awards and the right to exercise rights and remedies of the Corporation in the Lease Agreement to enforce payments of amounts thereunder. The Trustee accepts such assignment for the purpose of securing the Lease Payments, subject to the provisions of the Trust Agreement.

**APPENDIX B**

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

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**HESPERIA UNIFIED SCHOOL DISTRICT**  
**SAN BERNARDINO COUNTY**  
**AUDIT REPORT**  
**For the Fiscal Year Ended**  
**June 30, 2019**



**HESPERIA UNIFIED SCHOOL DISTRICT**  
*For the Fiscal Year Ended June 30, 2019*  
**Table of Contents**

---

**FINANCIAL SECTION**

	<u>Page</u>
Independent Auditors' Report .....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities.....	12
Governmental Funds Financial Statements:	
Balance Sheet.....	13
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Position.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures, and Changes in Fund Balances to the Statement of Activities .....	16
Fiduciary Funds Financial Statement:	
Statement of Fiduciary Net Position.....	17
Notes to Financial Statements .....	18

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund .....	63
Schedule of Proportionate Share of the Net Pension Liability .....	64
Schedule of Pension Contributions .....	65
Schedule of Changes in the District's Total OPEB Liability and Related Ratios .....	66
Schedule of the District's Proportionate Share of the Net OPEB Liability-MPP Program.....	67
Notes to the Required Supplementary Information .....	68

**SUPPLEMENTARY INFORMATION**

Local Educational Agency Organization Structure.....	70
Schedule of Average Daily Attendance .....	71
Schedule of Instructional Time .....	72
Schedule of Financial Trends and Analysis.....	73
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements .....	74
Schedule of Expenditures of Federal Awards.....	75
Schedule of Charter Schools .....	76
Note to the Supplementary Information.....	77

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*For the Fiscal Year Ended June 30, 2019*  
*Table of Contents*

---

**OTHER INDEPENDENT AUDITORS' REPORTS**

	<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	78
Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance .....	80
Independent Auditors' Report on State Compliance.....	82

**FINDINGS AND QUESTIONED COSTS**

Schedule of Audit Findings and Questioned Costs	
Summary of Auditors' Results.....	84
Current Year Audit Findings and Questioned Costs .....	85
Summary Schedule of Prior Audit Findings .....	89
Management Letter .....	90

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Hesperia Unified School District  
Hesperia, 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 Hesperia Unified School District, as of and for the fiscal 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

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

**Other Matters*****Required Supplementary Information***

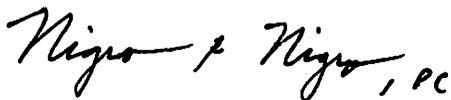
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 71 to 74 and the schedule of expenditures of federal awards on page 75 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 70 and 76 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
December 9, 2019

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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This discussion and analysis of Hesperia Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's financial status declined overall as a result of this year's operations. Net position of governmental activities decreased by \$12.7 million, or 19.5%.
- Governmental expenses were about \$297.8 million. Revenues were about \$285.1 million.
- The District spent \$10.3 million on new capital assets during the year.
- The District decreased its outstanding long-term debt other than pensions by \$9.1 million.
- Grades K-12 average daily attendance (ADA) increased by 165, or 0.8%.
- Governmental funds decreased by \$0.2 million.
- Reserves for the General Fund increased by \$3.0 million, or 12.5%.

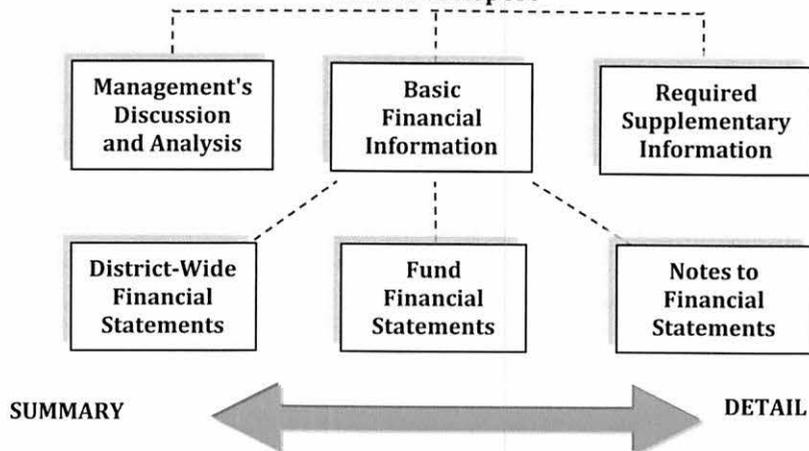
**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - The *fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

**Figure A-1. Organization of Hesperia Unified School District's Annual Financial Report**

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

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

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

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

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

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**District-wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities* and *Business-type Activities*. Most of the District's basic services are included in Governmental Activities, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was lower on June 30, 2019, than it was the year before - decreasing 18.1% to \$57.4 million (See Table A-1).

**Table A-1: Statement of Net Position**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2019</b>	<b>2018*</b>	
<b>Assets</b>			
Current assets	\$ 122,893,881	\$ 123,465,673	\$ (571,792)
Capital assets	274,508,935	278,047,761	(3,538,826)
<b>Total assets</b>	<b>397,402,816</b>	<b>401,513,434</b>	<b>(4,110,618)</b>
<b>Deferred outflows of resources</b>	<b>90,765,802</b>	<b>90,484,472</b>	<b>281,330</b>
<b>Liabilities</b>			
Current liabilities	15,293,687	15,730,648	(436,961)
Long-term liabilities	158,691,589	167,804,888	(9,113,299)
Net pension liability	241,123,305	229,393,796	11,729,509
<b>Total liabilities</b>	<b>415,108,581</b>	<b>412,929,332</b>	<b>2,179,249</b>
<b>Deferred inflows of resources</b>	<b>15,688,684</b>	<b>9,004,404</b>	<b>6,684,280</b>
<b>Net position</b>			
Net investment in capital assets	144,430,999	143,699,211	731,788
Restricted	55,722,559	58,603,311	(2,880,752)
Unrestricted	(142,782,205)	(132,238,352)	(10,543,853)
<b>Total net position</b>	<b>\$ 57,371,353</b>	<b>\$ 70,064,170</b>	<b>\$ (12,692,817)</b>

*\*As restated*

**Changes in net position, governmental activities.** The District's total revenues increased 10.8% to \$285.1 million (See Table A-2). The increase is due primarily to an increase in federal and state aid.

The total cost of all programs and services increased 8.8% to \$297.8 million. The District's expenses are predominantly related to educating and caring for students, 80.4%. The purely administrative activities of the District accounted for just 6.6% of total costs. A significant contributor to the increase in costs was an increase in instruction related services.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Table A-2: Statement of Activities**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2019</b>	<b>2018</b>	
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 3,338,087	\$ 3,686,913	\$ (348,826)
Operating grants and contributions	36,911,294	34,799,439	2,111,855
Capital grants and contributions	433	2,237	(1,804)
General Revenues:			
Property taxes	18,117,117	15,099,264	3,017,853
Federal and state aid not restricted	215,832,915	199,157,939	16,674,976
Other general revenues	10,872,268	4,561,198	6,311,070
<b>Total Revenues</b>	<b>285,072,114</b>	<b>257,306,990</b>	<b>27,765,124</b>
<b>Expenses</b>			
Instruction-related	207,164,127	193,063,473	14,100,654
Pupil services	32,285,852	30,205,767	2,080,085
Administration	19,691,127	17,988,157	1,702,970
Plant services	25,974,791	24,116,708	1,858,083
All other activities	12,649,034	8,398,329	4,250,705
<b>Total Expenses</b>	<b>297,764,931</b>	<b>273,772,434</b>	<b>23,992,497</b>
Increase (decrease) in net position	<b>\$ (12,692,817)</b>	<b>\$ (16,465,444)</b>	<b>\$ 3,772,627</b>
<b>Total Net Position</b>	<b>\$ 57,371,353</b>	<b>\$ 70,064,170</b>	

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$109.5 million, which is below last year's ending fund balance of \$109.6 million. The primary cause of the decreased fund balance is due to an increase in spending for capital facilities projects.

**Table A-3: The District's Fund Balances**

Fund	<b>Fund Balances</b>				
	<b>July 1, 2018*</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Other Sources and (Uses)</b>	<b>June 30, 2019</b>
General Fund	\$ 32,154,476	\$ 274,085,742	\$ 257,105,431	\$ (12,501,718)	\$ 36,633,069
Adult Education Fund	1,035,465	1,298,605	1,269,423	-	1,064,647
Cafeteria Fund	7,420,779	13,228,423	13,312,433	8,812	7,345,581
Deferred Maintenance Fund	1,680,203	1,536,497	2,011,058	-	1,205,642
Special Reserve Fund (Other Than Capital Outlay)	16,737,463	331,357	-	2,000,000	19,068,820
Capital Facilities Fund	6,235,979	2,841,700	9,507,020	2,202,939	1,773,598
State School Building Fund	614	431	-	(1,043)	2
County School Facilities Fund	7	2	-	(9)	-
Special Reserve Fund (Capital Outlay)	74,106	1,422	-	(75,134)	394
Capital Outlay Fund for Blended Component Units	2,636,057	52,830	588,839	-	2,100,048
Debt Service Fund for Blended Component Units	7,895,892	118	5,520,582	5,520,582	7,896,010
Debt Service Fund	33,743,365	671,229	4,894,229	2,845,571	32,365,936
	<b>\$ 109,614,406</b>	<b>\$ 294,048,356</b>	<b>\$ 294,209,015</b>	<b>\$ -</b>	<b>\$ 109,453,747</b>

\*As restated

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)**

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$14.3 million primarily to reflect increases in federal, state, and local funding projections.
- Salaries and benefits costs – increased \$25.0 million due to negotiated salaries increase.
- Other non-capital expenditures – increased \$6.2 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would fall short of expenditures by about \$9.0 million, the actual results for the year show that revenues exceeded expenditures by roughly \$17.0 million. Actual revenues were \$0.9 million more than anticipated, and expenditures were \$25.1 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2019, that will be carried over into the 2019-20 budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2018-19 the District had invested \$10.3 million in new capital assets, related to construction projects that were in progress, site improvements, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$13.9 million.

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

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2019</b>	<b>2018</b>	
Land	\$ 20,968,601	\$ 20,968,601	\$ -
Improvement of sites	25,987,394	19,923,662	6,063,732
Buildings	217,414,467	231,827,608	(14,413,141)
Equipment	5,227,707	4,829,264	398,443
Construction in progress	4,910,766	498,626	4,412,140
<b>Total</b>	<b>\$ 274,508,935</b>	<b>\$ 278,047,761</b>	<b>\$ (3,538,826)</b>

**HESPERIA UNIFIED SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2019**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end the District had approximately \$158.7 million in certificates of participation, clean renewable energy bonds, compensated absences, equipment leases, claims liability, and employee benefits – a decrease of 5.4% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2019</b>	<b>2018</b>	
Certificates of participation	\$ 99,468,825	\$ 100,830,515	\$ (1,361,690)
Equipment leases	6,664,159	9,654,092	(2,989,933)
Compensated absences	1,095,668	1,034,914	60,754
Claims liability	265,000	270,000	(5,000)
New clean renewable energy bonds	26,045,000	26,500,000	(455,000)
Other postemployment benefits	25,152,937	29,515,367	(4,362,430)
<b>Total</b>	<b>\$ 158,691,589</b>	<b>\$ 167,804,888</b>	<b>\$ (9,113,299)</b>

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The Legislature passed the final budget package on June 13, 2019. The Governor signed the *2019-20 Budget Act* and 15 other budget-related bills on June 27, 2019.

**Major Features of the 2019-20 Spending Plan**

***Makes \$5.9 Billion in Additional Unfunded Liability Payments***

Teachers, administrators, and other certificated employees of school districts earn pension benefits from the California State Teachers' Retirement System (CalSTRS). Other school district employees, such as clerical staff, also earn pension benefits administered by California Public Employees' Retirement System (CalPERS). The state and school districts each have full responsibility for their respective CalPERS' unfunded liabilities associated with their own employees. In the case of CalSTRS, the state and school districts share responsibility for the system's total unfunded liability (about one-third is the responsibility of the state and two-thirds of the districts).

The spending plan allocates \$5.9 billion General Fund to pay down unfunded pension liabilities on behalf of both the state and school districts (some of which is counted toward the state's Proposition 2 debt payment requirements). In particular, the spending plan dedicates:

- ***\$3.6 Billion to Address State's Unfunded Liabilities.*** The spending plan uses \$2.5 billion in General Fund monies to pay down the state's CalPERS unfunded liability. The spending plan also devotes \$1.1 billion General Fund to reduce the state's share of the CalSTRS unfunded liability, as part of the state's Proposition 2 debt payment requirements.
- ***\$2.3 Billion to Address School Districts' Unfunded Liabilities.*** The spending plan also devotes \$1.6 billion General Fund to reduce the school districts' share of the CalSTRS unfunded liability and \$660 million General Fund to address the school districts' CalPERS unfunded liability.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**K-14 Education**

***Provides a Few Notable Ongoing Proposition 98 Augmentations***

Under the spending plan, Proposition 98 funding for 2019-20 increases \$2.9 billion (3.7 percent) from the revised 2018-19 level. The spending plan devotes the largest share of this increase—\$2 billion—to school districts to cover changes in student attendance and provide a 3.26 percent cost-of-living adjustment (COLA) for the Local Control Funding Formula (general purpose per-student funding). The budget also provides two augmentations related to special education: (1) \$493 million for school districts based on the number of three- and four-year old children identified with disabilities affecting their education and (2) \$153 million for special education agencies with average or below average per-pupil funding rates.

***Pays a Portion of Districts' Pension Costs for the Next Two Years***

The spending plan also provides additional monies to school districts outside of the Proposition 98 funding requirement by paying a portion of districts' pension costs for the next two years. School districts' pension contribution rates for both CalPERS and CalSTRS have been rising and are set to continue increasing for at least the next few years. For CalSTRS, the budget provides \$606 million for the state to pay a portion of districts' costs (reducing district contribution rates by about 1 percent of payroll in 2019-20 and 2020-21). Similarly, the budget provides \$244 million for the state to cover a portion of districts' CalPERS costs (reducing district rates by about 1 percent of payroll in 2019-20 and 2020-21). Although district pension rates will continue to rise, the increases will be slower than previously projected.

All of these factors were considered in preparing the Hesperia Unified School District budget for the 2019-20 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Fiscal Services Office at (760) 244-4411.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2019**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 98,422,989
Investments	9,996,058
Accounts receivable	14,148,060
Inventories	259,053
Prepaid expenses	67,721
Capital assets:	
Non-depreciable assets	25,879,367
Depreciable assets	424,725,511
Less accumulated depreciation	<u>(176,095,943)</u>
Total assets	<u>397,402,816</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pensions	85,241,155
Deferred outflows of resources - OPEB	3,927,661
Deferred amounts on refunding	<u>1,596,986</u>
Total deferred outflows of resources	<u>90,765,802</u>
<b>LIABILITIES</b>	
Accounts payable	15,293,687
Long-term liabilities other than pensions:	
Portion due or payable within one year	2,525,159
Portion due or payable after one year	156,166,430
Net pension liability	<u>241,123,305</u>
Total liabilities	<u>415,108,581</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions	8,862,229
Deferred inflows of resources - OPEB	<u>6,826,455</u>
Total deferred inflows of resources	<u>15,688,684</u>
<b>NET POSITION</b>	
Net investment in capital assets	144,430,999
Restricted for:	
Capital projects	1,773,994
Debt service	40,261,946
Categorical programs	13,686,619
Unrestricted	<u>(142,782,205)</u>
Total net position	<u>\$ 57,371,353</u>

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2019*

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
<b>Instructional Services:</b>					
Instruction	\$ 176,001,838	\$ 97,747	\$ 19,875,037	\$ 433	\$ (156,028,621)
Instruction-related services:					
Supervision of instruction	3,257,880	-	361,640	-	(2,896,240)
Instructional library, media and technology	3,843,601	-	122,128	-	(3,721,473)
School site administration	24,060,808	-	983,603	-	(23,077,205)
<b>Pupil Support Services:</b>					
Home-to-school transportation	6,619,047	-	7,379	-	(6,611,668)
Food services	13,177,560	588,125	12,034,686	-	(554,749)
All other pupil services	12,489,245	-	827,894	-	(11,661,351)
<b>General Administration Services:</b>					
Data processing services	3,166,667	-	61,216	-	(3,105,451)
Other general administration	16,524,460	28,232	1,458,012	-	(15,038,216)
Plant Services	25,974,791	1,775,270	1,141,092	-	(23,058,429)
Ancillary Services	438,188	-	9	-	(438,179)
Interest on Long-term Debt	11,175,532	-	-	-	(11,175,532)
Other Outgo	1,035,314	848,713	38,598	-	(148,003)
Total governmental activities	\$ 297,764,931	\$ 3,338,087	\$ 36,911,294	\$ 433	(257,515,117)

**General Revenues:**

Property taxes	18,117,117
Federal and state aid not restricted to specific purpose	215,832,915
Interest and investment earnings	1,616,447
Interagency revenues	72,575
Miscellaneous	9,183,246

Total general revenues 244,822,300

Change in net position (12,692,817)

Net position - July 1, 2018, as originally stated 71,238,293

Restatement - Note 12 (1,174,123)

Net position - July 1, 2018, as restated 70,064,170

Net position - June 30, 2019 \$ 57,371,353

**HESPERIA UNIFIED SCHOOL DISTRICT**  
**Balance Sheet – Governmental Funds**  
**June 30, 2019**

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 57,020,731	\$ 30,205,691	\$ 11,196,567	\$ 98,422,989
Investments	-	-	9,996,058	9,996,058
Accounts receivable	12,177,858	147,270	1,822,932	14,148,060
Due from other funds	1,331,318	2,012,975	121,074	3,465,367
Inventories	72,387	-	186,666	259,053
Prepaid expenditures	65,221	-	2,500	67,721
<b>Total Assets</b>	<b>\$ 70,667,515</b>	<b>\$ 32,365,936</b>	<b>\$ 23,325,797</b>	<b>\$ 126,359,248</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 11,625,935	\$ -	\$ 1,814,199	\$ 13,440,134
Due to other funds	2,134,049	-	1,331,318	3,465,367
<b>Total Liabilities</b>	<b>13,759,984</b>	<b>-</b>	<b>3,145,517</b>	<b>16,905,501</b>
<b>Fund Balances</b>				
Nonspendable	212,608	-	189,166	401,774
Restricted	5,835,261	32,365,936	19,434,744	57,635,941
Assigned	23,702,632	-	556,371	24,259,003
Unassigned	27,157,030	-	(1)	27,157,029
<b>Total Fund Balances</b>	<b>56,907,531</b>	<b>32,365,936</b>	<b>20,180,280</b>	<b>109,453,747</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 70,667,515</b>	<b>\$ 32,365,936</b>	<b>\$ 23,325,797</b>	<b>\$ 126,359,248</b>

## HESPERIA UNIFIED SCHOOL DISTRICT

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2019

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**Total fund balances - governmental funds** \$ 109,453,747

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

Capital assets relating to governmental activities, at historical cost	450,604,878	
Accumulated depreciation	<u>(176,095,943)</u>	
Net:		274,508,935

In governmental funds, deferred outflows and inflows of resources related to other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported.

Deferred outflows of resources	3,927,661	
Deferred inflows of resources	<u>(6,826,455)</u>	(2,898,794)

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of net position, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:

(1,853,553)

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

Deferred outflows of resources	85,241,155	
Deferred inflows of resources	<u>(8,862,229)</u>	76,378,926

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amount on refunding at the end of the period was:

1,596,986

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements

(241,123,305)

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Certificates of participation	99,468,825	
Claims liability	265,000	
New clean renewable energy bonds	26,045,000	
Other postemployment benefits	25,152,937	
Compensated absences	1,095,668	
Equipment leases	<u>6,664,159</u>	
		<u>(158,691,589)</u>

**Total net position - governmental activities** \$ 57,371,353

**HESPERIA UNIFIED SCHOOL DISTRICT****Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
For the Fiscal Year Ended June 30, 2019**

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ 220,642,737	\$ -	\$ -	\$ 220,642,737
Federal sources	13,539,999	-	11,726,238	25,266,237
Other state sources	29,652,951	-	1,707,257	31,360,208
Other local sources	12,117,909	671,229	3,990,036	16,779,174
<b>Total Revenues</b>	<b>275,953,596</b>	<b>671,229</b>	<b>17,423,531</b>	<b>294,048,356</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	167,957,815	-	946,218	168,904,033
Instruction-related services:				
Supervision of instruction	3,210,955	-	-	3,210,955
Instructional library, media and technology	2,793,072	-	-	2,793,072
School site administration	22,183,482	-	323,205	22,506,687
Pupil support services:				
Home-to-school transportation	6,595,518	-	-	6,595,518
Food services	-	-	12,682,459	12,682,459
All other pupil services	12,661,767	-	-	12,661,767
Ancillary services	438,292	-	-	438,292
General administration services:				
Data processing services	2,998,533	-	-	2,998,533
Other general administration	15,129,357	-	-	15,129,357
Plant services	21,712,340	-	2,478,170	24,190,510
Transfers of indirect costs	(583,565)	-	583,565	-
Capital outlay	2,983,609	-	7,664,098	10,647,707
Intergovernmental	1,035,314	-	-	1,035,314
Debt service:				
Principal	-	3,444,933	1,120,000	4,564,933
Interest	-	1,449,296	4,400,582	5,849,878
<b>Total Expenditures</b>	<b>259,116,489</b>	<b>4,894,229</b>	<b>30,198,297</b>	<b>294,209,015</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,837,107	(4,223,000)	(12,774,766)	(160,659)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	-	8,366,153	7,732,333	16,098,486
Interfund transfers out	(10,501,718)	(5,520,582)	(76,186)	(16,098,486)
<b>Total Other Financing Sources and Uses</b>	<b>(10,501,718)</b>	<b>2,845,571</b>	<b>7,656,147</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>6,335,389</b>	<b>(1,377,429)</b>	<b>(5,118,619)</b>	<b>(160,659)</b>
Fund Balances, July 1, 2018, as originally stated	51,746,265	33,743,365	25,298,899	110,788,529
Adjustment for Restatement (Note 12)	(1,174,123)	-	-	(1,174,123)
Fund Balances, July 1, 2018, as restated	50,572,142	33,743,365	25,298,899	109,614,406
Fund Balances, June 30, 2019	\$ 56,907,531	\$ 32,365,936	\$ 20,180,280	\$ 109,453,747

## HESPERIA UNIFIED SCHOOL DISTRICT

### *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2019*

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**Total net change in fund balances - governmental funds** \$ (160,659)

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

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

Expenditures for capital outlay	10,334,775	
Depreciation expense	<u>(13,897,735)</u>	(3,562,960)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 4,564,933

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded certificates which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between the current year charges and the current year amortization is: (72,590)

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis OPEB costs and actual employer contributions was: 967,446

In governmental funds, if debt is issued at a premium, the premium is recognized as an other financing source in the period that it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of certificates of participation issue premium for the period is: 241,690

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period, but owing from the prior period, was: 25,828

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (14,640,751)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*). In the current year, compensated absences earned exceeded amounts used by: (60,754)

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include supplemental early retirement incentives financed over time and reductions in claims liability. This year, increases, less expenses incurred for such obligations were: 5,000

**Change in net position of governmental activities** \$ (12,692,817)

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Statement of Fiduciary Net Position*  
*June 30, 2019*

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	Agency Funds		Total
	Debt Service Fund for Special Tax Bonds	Student Body Funds	
<b>Assets</b>			
Cash	\$ -	\$ 909,066	\$ 909,066
Investments	1,711,009	-	1,711,009
<b>Total Assets</b>	<b>\$ 1,711,009</b>	<b>\$ 909,066</b>	<b>\$ 2,620,075</b>
<b>Liabilities</b>			
Due to bond holders	\$ 1,711,009	\$ -	\$ 1,711,009
Due to student groups	-	909,066	909,066
<b>Total Liabilities</b>	<b>\$ 1,711,009</b>	<b>\$ 909,066</b>	<b>\$ 2,620,075</b>

## HESPERIA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2019

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

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. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Hesperia School District Financing Corporation (the "Corporation") financial activity is presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

The Hesperia Unified School District Community Facilities Districts (CFDs) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs 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 each of the CFDs.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation, Basis of Accounting**

**1. Basis of Presentation**

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements**

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

**Major Governmental Funds**

The District maintains the following major governmental funds:

**General Fund:** This is the chief operating fund for the District. 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. The District also maintains a Deferred Maintenance Fund and a Special Reserve Fund for Other Than Capital Outlay Projects. Under the current statute, certain formerly restricted revenues to be used for any locally defined purpose, the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Outlay Projects do not currently meet the definition of special revenue funds as they are no longer primarily composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is being reported within the General Fund.

**Debt Service Fund:** This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**1. Basis of Presentation (continued)**

**Non-Major Governmental Funds**

The District maintains the following non-major governmental funds:

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

**Adult Education Fund:** This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

**Cafeteria Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

**Capital Projects Funds:** Capital projects funds are established 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:** This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

**State School Building Lease-Purchase Fund:** This fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).

**County School Facilities Fund:** This fund is used primarily to account 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 17070.10 et seq.).

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

**Capital Projects Fund for Blended Component Units:** This fund 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).

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**1. Basis of Presentation (continued)**

**Non-Major Governmental Funds (continued)**

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Debt Service Fund for Blended Component Units:** This fund is used to account for the accumulation of resources for the payment of principal and interest on certificates of participation issued by the Corporation and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

**Fiduciary Funds**

Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. 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. The District maintains the following fiduciary funds:

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

**Debt Service Fund for Special Tax Bonds:** This fund is used to account for the accumulation of resources for, and the repayment, of Community Facility District bonds, interest and related costs.

**2. Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

# HESPERIA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 2. Measurement Focus, Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency fund has no measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

##### 3. Revenues - Exchange and Non-Exchange Transactions

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

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

**HESPERIA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2019*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Budgetary Data**

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year.

The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

**D. Encumbrances**

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

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**

**1. Cash and Cash Equivalents**

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

**2. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**3. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

## HESPERIA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2019

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

###### 4. Unearned Revenue

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

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

###### 5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

###### 6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

###### 7. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize 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.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**8. Pensions**

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

**9. Fund Balances**

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

## HESPERIA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2019

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

###### 10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

##### F. Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3.5% of total General Fund expenditures and other financing uses. If a fund balance drops below 3.5%, it shall be recovered at a rate of 1% minimally each year.

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

##### G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

**I. New GASB Pronouncements**

During the 2018-19 fiscal year, the following GASB Pronouncements became effective:

1. 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.

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

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

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

## HESPERIA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2019

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### I. New GASB Pronouncements (continued)

###### 2. (continued)

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.

##### J. Future Accounting Pronouncements

Other GASB pronouncements, which will be effective in future periods, are as follows:

1. 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 reporting periods beginning after December 15, 2018. Early implementation is encouraged.

2. 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 reporting periods beginning after December 15, 2019. Early implementation is encouraged.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Future Accounting Pronouncements (continued)**

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

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

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

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

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. 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.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Future Accounting Pronouncements (continued)**

4. (continued)

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 should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

5. 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.

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.

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 reporting periods beginning after December 15, 2020. Earlier application is encouraged.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
**June 30, 2019**

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**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments at June 30, 2019, were reported at fair value and consisted of the following:

	<u>Governmental Funds/Activities</u>	<u>Fiduciary Funds</u>
<b>Pooled Funds:</b>		
Cash in county treasury	\$ 98,347,989	\$ -
<b>Deposits:</b>		
Cash on hand and in banks	-	909,066
Cash in revolving fund	75,000	-
<b>Total Deposits</b>	<u>75,000</u>	<u>909,066</u>
<b>Total Cash</b>	<u>\$ 98,422,989</u>	<u>\$ 909,066</u>
<b>Investments:</b>		
Union Bank - Money Market	\$ 64,768	\$ 1,711,009
U.S. Bank - Money Market	1,901	-
U.S. Bank - First American Government Obligation	2,033,702	-
Build America Mutual Assurance Co.	7,895,687	-
<b>Total Investments</b>	<u>\$ 9,996,058</u>	<u>\$ 1,711,009</u>

Investments were not rated as of June 30, 2019.

**Pooled Funds**

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Custodial Credit Risk – Deposits (continued)**

In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. 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, \$1,299,795 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

**Investments - Interest Rate Risk**

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2019, consisted of the following:

	Fair Value	Maturity			Fair Value Measurement
		Less Than One Year	One Year Through Five Years	Over Five Years	
Investment Maturities					
Union Bank - Money Market	\$ 1,775,777	\$ 1,775,777	\$ -	\$ -	Level 1
U.S. Bank - Money Market	1,901	1,901	-	-	Level 1
U.S. Bank - First American Government Obligation	2,033,702	2,033,702	-	-	Level 1
Build America Mutual Assurance Co.	7,895,687	-	-	7,895,687	Level 1
<b>Total</b>	<b>\$ 11,707,067</b>	<b>\$ 3,811,380</b>	<b>\$ -</b>	<b>\$ 7,895,687</b>	

**Investments - Credit Risk**

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2019, all investments represented governmental securities and money market accounts which were issued, registered and held by the District's agent in the District's name.

**Investments - Concentration of Credit Risk**

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2019, the District had the following investments that represents more than five percent of the District's net investments:

Union Bank - Money Market	15.2%
U.S. Bank - First American Government Obligation	17.4%
Build America Mutual Assurance Co.	67.4%

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
**June 30, 2019**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Fair Value Measurements**

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

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

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

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

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

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

**NOTE 3 – ACCOUNTS RECEIVABLE**

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

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total
Federal Government:				
Categorical aid programs	\$ 6,565,237	\$ -	\$ 1,238,096	\$ 7,803,333
State Government:				
Lottery	1,047,291	-	-	1,047,291
Categorical aid programs	2,730,650	-	151,873	2,882,523
Local:				
Interest	316,028	147,270	58,950	522,248
Special education	746,869	-	-	746,869
Developer fees	-	-	350,973	350,973
Other local	771,783	-	23,040	794,823
<b>Total</b>	<b>\$ 12,177,858</b>	<b>\$ 147,270</b>	<b>\$ 1,822,932</b>	<b>\$ 14,148,060</b>

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2019

**NOTE 4 - INTERFUND TRANSACTIONS**

**A. Balances Due To/From Other Funds**

Balances due to/from other funds at June 30, 2019, consisted of the following:

	Due From Other Funds			Total
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 2,012,975	\$ 121,074	\$ 2,134,049
Nonmajor Governmental Funds	1,331,318	-	-	1,331,318
<b>Total</b>	<b>\$ 1,331,318</b>	<b>\$ 2,012,975</b>	<b>\$ 121,074</b>	<b>\$ 3,465,367</b>

Adult Education Fund due to General Fund for payroll related reimbursements	\$ 134,590
Cafeteria Fund due to General Fund for payroll, print charges and expenditure reimbursements	1,196,728
General Fund due to Debt Service Fund for future debt service payments	2,012,975
General Fund due to Capital Facilities Fund for reimbursement for Herperia High School library project	77,089
Deferred Maintenance Fund due to Capital Facilities Fund to reimburse for deferred maintenance projects	43,985
<b>Total</b>	<b>\$ 3,465,367</b>

**B. Transfers To/From Other Funds**

Transfers to/from other funds for the fiscal year ended June 30, 2019, consisted of the following:

	Interfund Transfers In		
	Debt Service Fund	Nonmajor Governmental Funds	Total
General Fund	\$ 8,291,019	\$ 2,210,699	\$ 10,501,718
Debt Service Fund	-	5,520,582	5,520,582
Nonmajor Governmental Funds	75,134	1,052	76,186
<b>Total</b>	<b>\$ 8,366,153</b>	<b>\$ 7,732,333</b>	<b>\$ 16,098,486</b>

General Fund transfer to Cafeteria Special Revenue Fund for bad debt meal balance	\$ 8,812
General Fund transfer to Debt Service Fund to transfer RDA funds	8,291,019
General Fund transfer to Capital Facilities Fund to transfer RDA and one time funding to projects	2,201,887
State School Building Lease/Purchase Fund transfer to Capital Facilities Fund to close out fund	1,043
County School Facilities Fund transfer to Capital Facilities Fund to close out fund	9
Special Reserve Fund for Capital Outlay Projects transfer to Debt Service to use funds to cover debts	75,134
Debt Service Fund transfer to Debt Service Fund for blended component units for COP payment	5,520,582
<b>Total</b>	<b>\$ 16,098,486</b>

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
**June 30, 2019**

**NOTE 5 – FUND BALANCES**

At June 30, 2019, fund balances of the District's governmental funds were classified as follows:

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>				
Revolving cash	\$ 75,000	\$ -	\$ -	\$ 75,000
Stores inventories	72,387	-	186,666	259,053
Prepaid expenditures	65,221	-	2,500	67,721
<b>Total Nonspendable</b>	<b>212,608</b>	<b>-</b>	<b>189,166</b>	<b>401,774</b>
<b>Restricted:</b>				
Categorical programs	5,835,261	-	505,777	6,341,038
Child nutrition program	-	-	7,158,915	7,158,915
Capital projects	-	-	3,874,042	3,874,042
Debt service	-	32,365,936	7,896,010	40,261,946
<b>Total Restricted</b>	<b>5,835,261</b>	<b>32,365,936</b>	<b>19,434,744</b>	<b>57,635,941</b>
<b>Assigned:</b>				
Other assignments	22,496,990	-	-	22,496,990
Adult education program	-	-	556,371	556,371
Deferred maintenance program	1,205,642	-	-	1,205,642
<b>Total Assigned</b>	<b>23,702,632</b>	<b>-</b>	<b>556,371</b>	<b>24,259,003</b>
<b>Unassigned:</b>				
Reserve for economic uncertainties	27,157,030	-	(1)	27,157,029
<b>Total Unassigned</b>	<b>27,157,030</b>	<b>-</b>	<b>(1)</b>	<b>27,157,029</b>
<b>Total</b>	<b>\$ 56,907,531</b>	<b>\$ 32,365,936</b>	<b>\$ 20,180,280</b>	<b>\$ 109,453,747</b>

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance, July 1, 2018	Adjustments	Additions	Retirements	Balance, June 30, 2019
<b>Capital assets not being depreciated:</b>					
Land	\$ 20,968,601	\$ -	\$ -	\$ -	\$ 20,968,601
Construction in progress	498,626	24,134	4,649,674	(261,668)	4,910,766
<b>Total capital assets not being depreciated</b>	<b>21,467,227</b>	<b>24,134</b>	<b>4,649,674</b>	<b>(261,668)</b>	<b>25,879,367</b>
<b>Capital assets being depreciated:</b>					
Improvement of sites	34,719,272	3,274,153	4,108,447	-	42,101,872
Buildings	357,249,278	(3,274,153)	525,817	-	354,500,942
Equipment	26,920,127	(67,844)	1,312,505	(42,091)	28,122,697
<b>Total capital assets being depreciated</b>	<b>418,888,677</b>	<b>(67,844)</b>	<b>5,946,769</b>	<b>(42,091)</b>	<b>424,725,511</b>
<b>Accumulated depreciation for:</b>					
Improvement of sites	(14,795,610)	-	(1,318,868)	-	(16,114,478)
Buildings	(125,421,670)	-	(11,664,805)	-	(137,086,475)
Equipment	(22,090,863)	67,844	(914,062)	42,091	(22,894,990)
<b>Total accumulated depreciation</b>	<b>(162,308,143)</b>	<b>67,844</b>	<b>(13,897,735)</b>	<b>42,091</b>	<b>(176,095,943)</b>
<b>Total capital assets being depreciated, net</b>	<b>256,580,534</b>	<b>-</b>	<b>(7,950,966)</b>	<b>-</b>	<b>248,629,568</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 278,047,761</b>	<b>\$ 24,134</b>	<b>\$ (3,301,292)</b>	<b>\$ (261,668)</b>	<b>\$ 274,508,935</b>

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2019

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**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (continued)**

Depreciation expense was charged to the following functions in the Statement of Activities:

Instruction	\$ 11,670,682
Instructional Library, Media, & Technology	686,512
School Site Administration	686,512
Food Services	167,519
All Other General Administration	686,510
	<u>\$ 13,897,735</u>

**NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS**

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019	Amount Due Within One Year
Certificates of participation					
2013 COP Series A	\$ 42,520,000	\$ -	\$ -	\$ 42,520,000	\$ -
2013 COP Series B	10,175,000	-	435,000	9,740,000	520,000
2016 Refunding	42,545,000	-	685,000	41,860,000	715,000
Premium on issuance	5,590,515	-	241,690	5,348,825	241,690
Total COPs	<u>100,830,515</u>	<u>-</u>	<u>1,361,690</u>	<u>99,468,825</u>	<u>1,476,690</u>
Equipment leases	9,654,092	-	2,989,933	6,664,159	783,469
Compensated absences	1,034,914	60,754	-	1,095,668	-
Claims liability	270,000	-	5,000	265,000	-
New clean renewable energy bonds	26,500,000	-	455,000	26,045,000	265,000
Other postemployment benefits	29,515,367	4,660,054	9,022,484	25,152,937	-
Total long-term debt	<u>\$ 167,804,888</u>	<u>\$ 4,720,808</u>	<u>\$ 13,834,107</u>	<u>\$ 158,691,589</u>	<u>\$ 2,525,159</u>

Payments for certificates of participation are made by the Debt Service Fund for Blended Component Units. Equipment lease payments and New Clean Renewable Energy Bond payments are made by the Debt Service Fund. Compensated absences, other postemployment benefits, and claims liabilities will be paid for by the fund for which the employee worked.

**A. Certificates of Participation**

On April 1, 2013, the Hesperia School District Financing Corporation issued Series A and B of the 2013 School Facility Bridge Restructuring Program in the amount of \$42,520,000 and \$10,175,000 respectively. The certificates were issued to (i) provide a portion of the funds necessary to prepay the 2004 certificates, (ii) pay capitalized interest with respect to the certificates to February 1, 2017, and (iii) pay the costs incurred in connection with the execution and delivery of the certificates. The interest rates range from 4.0% to 5.532%. The Series A certificates mature on February 1, 2043, and the Series B certificates mature on February 1, 2029.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
**June 30, 2019**

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**NOTE 7 - LONG-TERM DEBT OTHER THAN PENSIONS (continued)**

**A. Certificates of Participation (continued)**

**2016 Refunding Certificates of Participation**

On April 12, 2016, the District issued \$44,250,000 of refunding certificates of participation. The net proceeds of \$51,638,242 (after premiums of \$4,517,436, available amounts from 2007 certificates of \$3,831,714 and issuance costs of \$915,908) were used prepay and defease on an advance basis certain outstanding certificates of participation executed in 2007, pay certain costs of executing and delivering the refunding certificates and provide a debt service reserve through the purchase of a reserve fund surety policy. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the Statement of Net Position and are amortized to interest expense over the life of the new debt or the old debt, whichever is shorter. Deferred amounts on refunding as of June 30, 2019 of \$1,596,986 remain to be amortized.

A summary of outstanding certificates of participation outstanding as of June 30, 2019, is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
2013 COP Series A	4/1/2013	2/1/2043	4.0-5.0%	\$ 42,520,000	\$ 42,520,000	\$ -	\$ -	\$ 42,520,000
2013 COP Series B	4/1/2013	2/1/2029	3.34-5.53%	10,175,000	10,175,000	-	435,000	9,740,000
2016 COP Refunding	4/12/2016	2/1/2041	2.0-5.0%	44,250,000	42,545,000	-	685,000	41,860,000
				<u>\$ 96,945,000</u>	<u>\$ 95,240,000</u>	<u>\$ -</u>	<u>\$ 1,120,000</u>	<u>\$ 94,120,000</u>

The annual requirements to amortize all certificates are as follows:

Fiscal Year	Principal	Interest	Total
2019-2020	\$ 1,235,000	\$ 4,358,653	\$ 5,593,653
2020-2021	1,360,000	4,303,455	5,663,455
2021-2022	1,485,000	4,240,750	5,725,750
2022-2023	1,620,000	4,170,126	5,790,126
2023-2024	1,770,000	4,091,257	5,861,257
2024-2029	13,795,000	18,794,054	32,589,054
2029-2034	21,335,000	14,732,438	36,067,438
2034-2039	28,440,000	9,909,469	38,349,469
2039-2043	23,080,000	2,657,250	25,737,250
<b>Total</b>	<b>\$ 94,120,000</b>	<b>\$ 67,257,452</b>	<b>\$ 161,377,452</b>

## HESPERIA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2019

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#### NOTE 7 - LONG-TERM DEBT OTHER THAN PENSIONS (continued)

##### B. Equipment Lease

On May 8, 2014, the Hesperia School District entered into tax-exempt equipment lease purchase agreements in the amounts of \$9,723,420 and \$2,555,245, respectively. The leases were issued to purchase equipment related to building automation and controls, interior and exterior lighting retrofits, mechanical upgrades, and other energy conservation measures. The leases mature on May 8, 2029, and the interest rate is fixed at 3.75% for both agreements. At June 30, 2019, the principal balance outstanding was \$6,664,159.

A summary of outstanding equipment leases outstanding as of June 30, 2019, is presented below:

Fiscal Year	Principal	Interest	Total
2019-2020	\$ 783,469	\$ 240,327	\$ 1,023,796
2020-2021	560,594	215,319	775,913
2021-2022	581,813	194,100	775,913
2022-2023	603,836	172,077	775,913
2023-2024	626,692	149,221	775,913
2024-2029	3,507,755	371,811	3,879,566
Total	<u>\$ 6,664,159</u>	<u>\$ 1,342,855</u>	<u>\$ 8,007,014</u>

On November 1, 2018, the District paid off the remaining principal of \$2,009,060 on the second lease agreement, leaving only the first lease remaining.

##### C. Claims Liability

The District records an estimated liability for property and liability and claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses). These liabilities are reflected in the long-term obligations and amounted to \$265,000 as of June 30, 2019, but limited to \$15,000 per claim, which is the District's deductible amount.

##### D. New Clean Renewable Energy Bonds

On November 1, 2016, the District, through the Hesperia Unified School District Financing Corporation, issued taxable New Clean Renewable Energy Bonds (NCREB) in the amount of \$26,500,000. The bonds bear a qualified tax credit rate of 4.170% and an effective subsidy rate of 2.919%, with annual maturities from September 2018 through September 2041. The proceeds generated were used to finance the District's Solar Project comprised of multiple solar energy facilities to be located at District school campus sites.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2019

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**NOTE 7 - LONG-TERM DEBT OTHER THAN PENSIONS (continued)**

**D. New Clean Renewable Energy Bonds (continued)**

The annual requirements to amortize all bonds are as follows:

Fiscal Year	Principal	Interest	Total
2019-2020	\$ 265,000	\$ 1,080,551	\$ 1,345,551
2020-2021	325,000	1,068,250	1,393,250
2021-2022	385,000	1,053,446	1,438,446
2022-2023	450,000	1,036,037	1,486,037
2023-2024	515,000	1,015,916	1,530,916
2024-2029	3,645,000	4,677,802	8,322,802
2029-2034	5,740,000	3,706,088	9,446,088
2034-2039	8,295,000	2,250,862	10,545,862
2039-2042	6,425,000	412,933	6,837,933
Total	<u>\$ 26,045,000</u>	<u>\$ 16,301,885</u>	<u>\$ 42,346,885</u>

**E. Non-Obligatory Debt**

Non-obligatory debt relates to debt issuances by the Community Facility Districts, 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 \$10,105,000 as of June 30, 2019, does not represent debt of the District and, as such, does not appear in the financial statements.

**F. Other Postemployment Benefits (OPEB) Liability**

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

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 24,059,122	\$ 3,927,661	\$ 6,826,455	\$ 2,299,415
MPP Program	1,093,815	-	-	(92,028)
Total	<u>\$ 25,152,937</u>	<u>\$ 3,927,661</u>	<u>\$ 6,826,455</u>	<u>\$ 2,207,387</u>

**HESPERIA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2019*

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**NOTE 7 - LONG-TERM DEBT OTHER THAN PENSIONS (continued)**

**F. Other Postemployment Benefits (OPEB) Liability (continued)**

The details of each plan are as follows:

**District Plan**

***Plan Description***

Hesperia Unified School District provides post-employment benefits other than pensions (OPEB) to employees who meet certain criteria. The District provides post-employment healthcare benefits to eligible retirees and their covered eligible dependents and pays a portion of the cost. All active employees who retire directly from the District and meet the eligibility criteria may participate. The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

***Benefits Provided***

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

For those hired prior to July 1, 2012, retirees age 55 through 65 who completed 10 years of service with the Hesperia Unified School District (including service with Victor Valley Union High School District and/or Hesperia Elementary School District) are entitled to receive the same District contribution provided to active members. For those hired July 1, 2012 or later, retirees will be required to attain age 60 with 15 or more years of service.

The District's insurance providers charge the District the same premiums for retirees under age 65 as for active employees. Therefore, the retiree premium rates are being subsidized by the inclusion of active lives in setting non-Medicare retiree rates.

Retirees under age 65 with less than 10 years of service are entitled to receive benefits at their own expense. The rates charged are subsidized due to the inclusion of active lives.

Medical premiums for retirees over age 65 were not based on blended active experience; therefore, no premium subsidy exists for retirees over age 65. Retirees pay 100% of the full cost of their health benefits after age 65.

Employees who terminate employment prior to retirement are not entitled to medical benefits after the expiration of their COBRA benefits.

***Employees Covered by Benefit Terms***

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

Inactive employees or beneficiaries currently receiving benefit payments	116
Active employees	2,249
Total	<u>2,365</u>

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2019

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**NOTE 7 - LONG-TERM DEBT OTHER THAN PENSIONS (continued)**

**F. Other Postemployment Benefits (OPEB) Liability (continued)**

**District Plan (continued)**

***Total OPEB Liability***

The District's total OPEB liability of \$24,059,122 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2018.

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2018
Salary increases	3.50% per year
Inflation increases	2.75% annually
Healthcare cost trend rates	5.7% trending to 4.2%
Increases in maximum contribution level (cap)	\$0 per year for two years, then CPI thereafter

***Discount Rate***

The discount rate of 3.87% is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Mortality Rates***

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

***Changes in the Total OPEB Liability***

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2017</b>	<b>\$ 28,329,524</b>
<b>Changes for the year:</b>	
Service cost	1,869,796
Interest	1,039,822
Economic/demographic gains/losses	1,750,436
Changes of assumptions	(6,601,918)
Benefit payments	(2,328,538)
Net changes	(4,270,402)
<b>Balance at June 30, 2018</b>	<b>\$ 24,059,122</b>

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2019

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**NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**

**F. Other Postemployment Benefits (OPEB) Liability (continued)**

**District Plan (continued)**

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

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

<u>Discount Rate</u>	<u>OPEB Liability</u>
1% decrease (2.87%)	\$ 25,833,571
Current discount rate (3.87%)	\$ 24,059,122
1% increase (4.87%)	\$ 23,239,462

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

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

<u>Healthcare Cost Trend Rate</u>	<u>OPEB Liability</u>
1% decrease (4.7% trending to 3.2%)	\$ 21,974,857
Current rate (5.7% trending to 4.2%)	\$ 24,059,122
1% increase (6.7% trending to 5.2%)	\$ 27,517,682

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$2,299,415. In addition, at June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,571,820	\$ -
Changes of assumptions	-	(6,826,455)
District contributions subsequent to the measurement date of the net OPEB liability	<u>2,355,841</u>	<u>-</u>
Total	<u>\$ 3,927,661</u>	<u>\$ (6,826,455)</u>

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**

**F. Other Postemployment Benefits (OPEB) Liability (continued)**

**District Plan (continued)**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)***

The deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year. The deferred outflows of resources related to the differences between expected and actual experience in the measurement of the total OPEB liability and the deferred inflows of resources related to 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 9.8 years.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ 178,616	\$ (788,819)
2021	178,616	(788,819)
2022	178,616	(788,819)
2023	178,616	(788,819)
2024	178,616	(788,819)
Thereafter	678,740	(2,882,360)
Totals	<u>\$ 1,571,820</u>	<u>\$ (6,826,455)</u>

**Medicare Premium Payment (MPP) Program**

***Plan Description***

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit 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. 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/actuarial-financial-and-investor-information>.

***Benefits Provided***

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. The MPP Program is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

**HESPERIA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2019*

**NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**

**F. Other Postemployment Benefits (OPEB) Liability (continued)**

**Medicare Premium Payment (MPP) Program (continued)**

***Benefits Provided (continued)***

As of June 30, 2019, 5,984 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with California Education Code section 25930, contributions 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.

***Total OPEB Liability***

At June 30, 2019, the District reported a liability of \$1,093,815 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2018, 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. 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 and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<b>Percentage Share of MPP Program</b>		<b>Change Increase/ (Decrease)</b>
	<b>Fiscal Year Ending June 30, 2019</b>	<b>Fiscal Year Ending June 30, 2018</b>	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net OPEB Liability	0.285764%	0.281868%	0.003895%

For the year ended June 30, 2019, the District reported OPEB expense of \$(92,028).

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

**NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**

**F. Other Postemployment Benefits (OPEB) Liability (continued)**

**Medicare Premium Payment (MPP) Program (continued)**

***Actuarial Assumptions and Other Inputs (continued)***

In addition, 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).

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

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

## HESPERIA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2019

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#### NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

##### F. Other Postemployment Benefits (OPEB) Liability (continued)

###### Medicare Premium Payment (MPP) Program (continued)

###### ***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, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	MPP OPEB Liability
1% decrease (2.87%)	\$ 1,209,812
Current discount rate (3.87%)	\$ 1,093,815
1% increase (4.87%)	\$ 989,075

###### ***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, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 997,448
Current rate (3.7% Part A and 4.1% Part B)	\$ 1,093,815
1% increase (4.7% Part A and 5.1% Part B)	\$ 1,197,453

#### NOTE 8 – PENSION PLANS

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

For the fiscal year ended June 30, 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	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 167,013,723	\$ 63,018,391	\$ 8,857,050	\$ 26,694,620
CalPERS (Schools)	74,104,017	22,200,598	-	15,339,487
CalPERS (Safety)	5,565	22,166	5,179	13,204
Total	\$ 241,123,305	\$ 85,241,155	\$ 8,862,229	\$ 42,047,311

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 8 – PENSION PLANS (continued)**

The details of each plan are as follows:

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

**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 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/actuarial-financial-and-investor-information>.

**Benefits Provided**

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

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

	<b>STRP Defined Benefit Program</b>	
	<b>On or before December 31, 2012</b>	<b>On or after January 1, 2013</b>
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 Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.28%	16.28%
Required State Contribution Rate	9.828%	9.828%

# HESPERIA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 8 – PENSION PLANS (continued)

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

##### Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period.

The contribution rates for each program for the year ended June 30, 2019, are presented above and the District's total contributions were \$16,769,031.

##### 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:

District's proportionate share of net pension liability	\$	167,013,723
State's proportionate share of the net pension liability associated with the District		<u>95,623,167</u>
Total	\$	<u>262,636,890</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 proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2019</u>	<u>Fiscal Year Ending June 30, 2018</u>	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net Pension Liability	0.181720%	0.177098%	0.004622%

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 8 – PENSION PLANS (continued)**

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

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

For the year ended June 30, 2019, the District recognized pension expense of \$26,694,620. In addition, the District recognized pension expense and revenue of \$3,260,730 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	\$ 16,769,031	\$ -
Net change in proportionate share of net pension liability	19,785,425	-
Difference between projected and actual earnings on pension plan investments	-	6,431,083
Changes of assumptions	25,946,032	-
Differences between expected and actual experience	517,903	2,425,967
Total	<u>\$ 63,018,391</u>	<u>\$ 8,857,050</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 10,212,073
2021	7,800,643
2022	3,412,097
2023	7,740,676
2024	6,867,872
Thereafter	1,358,949
Total	<u>\$ 37,392,310</u>

## HESPERIA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2019

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#### NOTE 8 – PENSION PLANS (continued)

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

###### Actuarial Methods and Assumptions

The total pension liability for the 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. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

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

CalSTRS 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.

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 inputs 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 reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, 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%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	(1.00)%

**HESPERIA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2019*

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**NOTE 8 – PENSION PLANS (continued)**

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

**Discount Rate**

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 244,655,560
Current discount rate (7.10%)	167,013,723
1% increase (8.10%)	102,641,106

**On-Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions of \$2,246,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State’s on-behalf contributions is \$15,230,821.

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

**Plan Description**

Qualified employees are eligible to participate in the Schools Pool under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer 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 Accounting Report. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

# HESPERIA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 8 - PENSION PLANS (continued)

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

##### Benefits Provided

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

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

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.50%
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 contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$7,328,039.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 8 – PENSION PLANS (continued)**

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

**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 \$74,104,017. 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 proportions of the net pension liability for the two most recent measurement periods were:

	<b>Percentage Share of Risk Pool</b>		<b>Change Increase/ (Decrease)</b>
	<b>Fiscal Year Ending June 30, 2019</b>	<b>Fiscal Year Ending June 30, 2018</b>	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net Pension Liability	0.277927%	0.274846%	0.003080%

For the year ended June 30, 2019, the District recognized pension expense of \$15,339,487. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 7,328,039	\$ -
Net change in proportionate share of net pension liability	2,007,792	-
Difference between projected and actual earnings on pension plan investments	607,819	-
Changes of assumptions	7,398,959	-
Differences between expected and actual experience	4,857,989	-
<b>Total</b>	<b>\$ 22,200,598</b>	<b>\$ -</b>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

## HESPERIA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2019

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#### NOTE 8 – PENSION PLANS (continued)

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

###### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 8,785,163
2021	6,345,120
2022	33,467
2023	(291,191)
2024	-
Thereafter	-
Total	<u>\$ 14,872,559</u>

###### **Actuarial Methods and Assumptions**

Total pension liability for the Schools Pool was determined by applying update procedures to a 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
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

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

## HESPERIA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2019

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#### NOTE 8 - PENSION PLANS (continued)

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

###### Actuarial Methods and Assumptions (continued)

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Years 11+</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

###### Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 107,891,904
Current discount rate (7.15%)	74,104,017
1% increase (8.15%)	46,072,127

###### On-Behalf Payments

The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of \$904,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$2,512,487.

# HESPERIA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 8 – PENSION PLANS (continued)

#### C. California Public Employees Retirement System (CalPERS) Safety Pool

##### Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the Hesperia Unified School District. The Hesperia Unified School District does not have any rate plans in the miscellaneous risk pool. The Hesperia Unified School District's employer rate plans in the safety risk pool include the Safety School Police plan (School Police) and the PEPRA Safety School Police plan (PEPRA School Police).

##### Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Classic members and PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members 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 death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	Safety Risk Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	3% at 50	2.7% at 57
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50	57
Monthly Benefits as a Percentage of Eligible Compensation	3.0%	2.0%-2.7%
Required Employee Contribution Rate	8.989%	12.75%
Required Employer Contribution Rate	22.346%	12.965%

##### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

## **HESPERIA UNIFIED SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2019*

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#### **NOTE 8 – PENSION PLANS (continued)**

##### **C. California Public Employees Retirement System (CalPERS) Safety Pool (continued)**

###### **Contributions (continued)**

The District's contributions to the Safety Pool Plan for the year ended June 30, 2019, were \$16,528.

###### **Pension Liabilities, Pension Expenses and Deferred Outflows/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 \$5,565. The District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The District's proportionate share of the net pension liability as of June 30, 2017, the valuation date, was calculated as follows:

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2017. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the Hesperia Unified School District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The District's proportionate share of the net pension liability as of June 30, 2018, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2018, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2018, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2018, was calculated by applying the District's proportionate share percentage as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2018, to obtain the total pension liability and fiduciary net position as of June 30, 2018. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

**HESPERIA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2019*

**NOTE 8 – PENSION PLANS (continued)**

**C. California Public Employees Retirement System (CalPERS) Safety Pool (continued)**

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

The District’s proportionate share percentage of the net pension liability for each risk pool as of June 30, 2017, and June 30, 2018, was as follows:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2019</u>	<u>Fiscal Year Ending June 30, 2018</u>	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Total Pension Liability	0.00175%	0.00059%	0.00116%
Proportion of the Fiduciary Net Position	0.00235%	0.00077%	0.00158%

For the year ended June 30, 2019, the District recognized pension expense of \$13,204. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 16,528	\$ -
Net change in proportionate share of net pension liability	4,127	-
Difference between projected and actual earnings on pension plan investments	-	3,820
Changes of assumptions	-	1,359
Differences between expected and actual experience	1,511	-
Differences between actual and required contributions	-	-
<b>Total</b>	<u>\$ 22,166</u>	<u>\$ 5,179</u>

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2020	\$ 573
2021	573
2022	268
2023	(955)
2024	-
Thereafter	-
<b>Total</b>	<u>\$ 459</u>

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2019*

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**NOTE 8 – PENSION PLANS (continued)**

**C. California Public Employees Retirement System (CalPERS) Safety Pool (continued)**

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
Wage Growth	2.75%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2018 based on June 30, 2017 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2019

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**NOTE 8 – PENSION PLANS (continued)**

**C. California Public Employees Retirement System (CalPERS) Safety Pool (continued)**

**Discount Rate (continued)**

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Years 11+</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Hesperia Unified School District’s proportionate share of the net pension liability of the each risk pool as of the measurement date, calculated using the discount rate, as well as what the Hesperia Unified School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 8,448
Current discount rate (7.15%)	5,565
1% increase (8.15%)	3,203

**D. Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

**E. Payables to the Pension Plans**

At June 30, 2019, the District reported payables of \$18,870 for the outstanding amount of legally required contributions to the CalPERS pension plan for the fiscal year ended June 30, 2019.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
**June 30, 2019**

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**NOTE 9 – JOINT VENTURES**

The District is a member of the California Schools Risk Management (CSRSM), Schools Excess Liability Fund (SELF), and the California Schools Employee Benefit Association (CSEBA) public entity risk pools. The District pays an annual premium to the applicable entity for its health (CSEBA), workers' compensation (CSRSM), and property and liability coverage (SELF). The relationship between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

Condensed financial information is as follows:

	CSRSM June 30, 2018 (Audited)	CSEBA June 30, 2018 (Audited)	CSAC June 30, 2018 (Audited)	SELF June 30, 2018 (Audited)
Assets	\$ 77,532,077	\$ 58,821,912	\$ 834,314,751	\$ 118,692,006
Deferred Outflows	-	-	1,718,920	497,939
Liabilities	31,139,862	18,571,042	712,318,785	101,064,545
Deferred Inflows	-	-	1,144,292	28,087
<b>Net Position</b>	<b>\$ 46,392,215</b>	<b>\$ 40,250,870</b>	<b>\$ 122,570,594</b>	<b>\$ 18,097,313</b>
Revenues	\$ 44,528,754	\$ 249,139,047	\$ 888,364,980	\$ 15,073,823
Expenses	43,678,978	245,358,552	906,269,207	19,471,187
Operating Income	849,776	3,780,495	(17,904,227)	(4,397,364)
Non-Operating Revenues (Expenses)	328,903	681,621	6,148,927	65,650
<b>Change in Net Position</b>	<b>\$ 1,178,679</b>	<b>\$ 4,462,116</b>	<b>\$ (11,755,300)</b>	<b>\$ (4,331,714)</b>

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

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

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

**B. Litigation**

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2019.

**C. Construction Commitments**

As of June 30, 2019, the District had commitments with respect to unfinished capital projects of approximately \$2.4 million to be paid from a combination of State and local funds.

## **HESPERIA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2019*

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### **NOTE 11 - RISK MANAGEMENT**

#### **Property and Liability**

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

#### **Workers' Compensation**

For fiscal year 2018-19, the District was fully-insured through California Schools Risk Management JPA for workers compensation coverage.

#### **Employee Medical Benefits**

The District has contracted with California Schools Benefits Association and High Desert Trust to provide employee medical, prescription, dental, and vision benefits and life insurance.

### **NOTE 12 - ADJUSTMENT FOR RESTATEMENT**

The beginning net position in the Statement of Activities and the beginning fund balance of the General Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balance have been restated by \$(1,174,123). The restatement is the result of adjustments made by the San Bernardino County Superintendent of Schools subsequent to the District closing its books for 2017-18. The adjustments affected LCFF revenue sources.

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***Required Supplementary Information***

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3. City  
4. State  
5. Zip

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4. State  
5. Zip

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2019*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget -
				Pos (Neg)
<b>Revenues</b>				
LCFF sources	\$ 216,823,576	\$ 218,100,301	\$ 219,142,737	\$ 1,042,436
Federal sources	13,497,539	16,733,240	13,539,999	(3,193,241)
Other state sources	20,005,478	28,690,751	29,652,951	962,200
Other local sources	8,596,908	9,682,090	11,750,055	2,067,965
<b>Total Revenues</b>	<b>258,923,501</b>	<b>273,206,382</b>	<b>274,085,742</b>	<b>879,360</b>
<b>Expenditures</b>				
Current:				
Certificated salaries	108,423,568	118,417,676	106,875,578	11,542,098
Classified salaries	38,065,740	37,665,202	37,665,202	-
Employee benefits	57,316,639	72,765,006	72,748,761	16,245
Books and supplies	11,741,222	17,141,302	7,478,628	9,662,674
Services and other operating	32,171,023	34,353,022	30,480,179	3,872,843
Capital outlay	439,274	1,388,775	1,405,333	(16,558)
Transfers of indirect costs	(580,415)	(580,415)	(583,565)	3,150
Intergovernmental	875,000	1,035,314	1,035,315	(1)
Debt service	1,589,318	-	-	-
<b>Total Expenditures</b>	<b>250,041,369</b>	<b>282,185,882</b>	<b>257,105,431</b>	<b>25,080,451</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,882,132	(8,979,500)	16,980,311	25,959,811
<b>Other Financing Sources and Uses</b>				
Interfund transfers out	(11,015,170)	(12,501,718)	(12,501,718)	-
<b>Total Other Financing Sources and Uses</b>	<b>(11,015,170)</b>	<b>(12,501,718)</b>	<b>(12,501,718)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(2,133,038)</b>	<b>(21,481,218)</b>	<b>4,478,593</b>	<b>25,959,811</b>
Fund Balances, July 1, 2018	27,036,185	32,154,476	32,154,476	-
Fund Balances, June 30, 2019	\$ 24,903,147	\$ 10,673,258	\$ 36,633,069	\$ 25,959,811

**Other Fund Balances included in the Statement of Revenues, Expenditures  
and Changes in Fund Balances:**

Deferred Maintenance Fund	1,205,642
Special Reserve Fund for Other Than Capital Outlay	19,068,820

**Total reported General Fund balance on the Statement of Revenues,  
Expenditures and Changes in Fund Balances:**

\$ 56,907,531

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2019*

	<i>Last Ten Fiscal Years*</i>				
	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
<b>CalSTRS</b>					
District's proportion of the net pension liability	<u>0.1817%</u>	<u>0.1771%</u>	<u>0.1740%</u>	<u>0.1670%</u>	<u>0.1420%</u>
District's proportionate share of the net pension liability	<u>\$ 167,013,723</u>	<u>\$ 163,780,692</u>	<u>\$ 140,732,940</u>	<u>\$ 112,431,080</u>	<u>\$ 82,980,540</u>
State's proportionate share of the net pension liability associated with the District	<u>95,623,167</u>	<u>96,891,274</u>	<u>80,128,548</u>	<u>59,463,488</u>	<u>50,107,736</u>
<b>Totals</b>	<u><b>\$ 262,636,890</b></u>	<u><b>\$ 260,671,966</b></u>	<u><b>\$ 220,861,488</b></u>	<u><b>\$ 171,894,568</b></u>	<u><b>\$ 133,088,276</b></u>
District's covered-employee payroll	<u>\$ 97,399,189</u>	<u>\$ 93,143,068</u>	<u>\$ 88,146,654</u>	<u>\$ 77,321,059</u>	<u>\$ 70,332,982</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>171.47%</u>	<u>175.84%</u>	<u>159.66%</u>	<u>145.41%</u>	<u>117.98%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
<b>CalPERS</b>					
District's proportion of the net pension liability	<u>0.2779%</u>	<u>0.2748%</u>	<u>0.2753%</u>	<u>0.2656%</u>	<u>0.2529%</u>
District's proportionate share of the net pension liability	<u>\$ 74,104,017</u>	<u>\$ 65,613,104</u>	<u>\$ 54,371,920</u>	<u>\$ 39,149,702</u>	<u>\$ 28,710,308</u>
District's covered-employee payroll	<u>\$ 38,299,717</u>	<u>\$ 35,293,282</u>	<u>\$ 34,257,297</u>	<u>\$ 29,586,229</u>	<u>\$ 26,324,419</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>193.48%</u>	<u>185.91%</u>	<u>158.72%</u>	<u>132.32%</u>	<u>109.06%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions*  
*For the Fiscal Year Ended June 30, 2019*

	<i>Last Ten Fiscal Years*</i>				
	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
<b>CalSTRS</b>					
Contractually required contribution	\$ 16,769,031	\$ 14,054,703	\$ 11,714,398	\$ 9,458,136	\$ 6,866,110
Contributions in relation to the contractually required contribution	<u>16,769,031</u>	<u>14,054,703</u>	<u>11,714,398</u>	<u>9,458,136</u>	<u>6,866,110</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 103,003,877</u>	<u>\$ 97,399,189</u>	<u>\$ 93,119,221</u>	<u>\$ 88,146,654</u>	<u>\$ 77,321,059</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>					
Contractually required contribution	\$ 7,328,039	\$ 5,948,329	\$ 4,901,531	\$ 4,058,462	\$ 3,482,595
Contributions in relation to the contractually required contribution	<u>7,328,039</u>	<u>5,948,329</u>	<u>4,901,531</u>	<u>4,058,462</u>	<u>3,482,595</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 40,571,583</u>	<u>\$ 38,299,717</u>	<u>\$ 35,293,282</u>	<u>\$ 34,257,297</u>	<u>\$ 29,586,229</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

*This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which \* information is available.*

**HESPERIA UNIFIED SCHOOL DISTRICT****Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
For the Fiscal Year Ended June 30, 2019**

Last 10 Fiscal Years\*

	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>		
Service cost	\$ 1,869,796	\$ 1,991,925
Interest	1,039,822	849,443
Economic/dempographic gains or loses	1,750,436	-
Changes of assumptions or other inputs	(6,601,918)	(1,128,510)
Benefit payments	<u>(2,328,538)</u>	<u>(2,376,134)</u>
<b>Net change in total OPEB liability</b>	<u>(4,270,402)</u>	<u>(663,276)</u>
<b>Total OPEB liability - beginning</b>	<u>28,329,524</u>	<u>28,992,800</u>
<b>Total OPEB liability - ending</b>	<u>\$ 24,059,122</u>	<u>\$ 28,329,524</u>
<b>Covered-employee payroll</b>	<u>\$ 135,698,906</u>	<u>\$ 128,412,503</u>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<u>17.73%</u>	<u>22.06%</u>

**Notes to Schedule:***No changes to report.*

*\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

**HESPERIA UNIFIED SCHOOL DISTRICT*****Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
For the Fiscal Year Ended June 30, 2019***

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	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability	<u>0.2858%</u>	<u>0.2819%</u>
District's proportionate share of net OPEB liability	<u>\$ 1,093,815</u>	<u>\$ 1,185,843</u>
Covered-employee payroll	<u>N/A</u>	<u>N/A</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.40%</u>	<u>0.01%</u>

**Notes to Schedule:**

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

*This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended 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 States 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 adoptions 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.

**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.

*Change in benefit terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

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

**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.

**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, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

*Change in benefit terms* - There were no changes in benefit terms since the previous valuation.

*Change of assumptions* - Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2019*

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

**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.

***Change in benefit terms*** – There were no changes in benefit terms since the previous valuation.

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

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***Supplementary Information***

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**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Local Educational Agency Organization Structure*  
*June 30, 2019*

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The Hesperia Unified School District was established in 1987. The District boundaries encompass an area of approximately 70 square miles. The District boundaries include the city of Hesperia, as well as unincorporated areas of the County of San Bernardino. There were no changes to the District's boundaries during the year. The District currently operates 15 elementary schools, three intermediate schools, three high schools, two continuation high schools, a community day school, and an adult education program.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Eric Swanson	President	2022
Cody Gregg	Vice President	2020
Marcy Kittinger	Clerk	2022
Mark Dundon	Member	2022
Ella "Lee" Rogers	Member	2020

**DISTRICT ADMINISTRATORS**

David Olney,  
*Superintendent*

Jovy Yankaskas,  
*Deputy Superintendent, Educational Services*

Dr. George Landon,  
*Assistant Superintendent, Business Services*

Karen Kelly-Pelayes,  
*Assistant Superintendent, Personnel Services*

Robert McCollum,  
*Assistant Superintendent, Innovative Technology and Communication*

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Schedule of Average Daily Attendance*  
*For the Fiscal Year Ended June 30, 2019*

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	<b>Second Period Report</b>	<b>Annual Report</b>
	Certificate No. (BEA329DA)	Certificate No. (D8A9D9AE)
<b>Regular &amp; Extended Year ADA:</b>		
Grades TK - 3	6,175.34	6,192.97
Grades 4 - 6	4,753.63	4,753.21
Grades 7 - 8	3,291.58	3,277.43
Grades 9 - 12	6,465.51	6,375.57
Total Regular & Extended Year ADA	20,686.06	20,599.18
<b>Special Education, Nonpublic, Nonsectarian Schools:</b>		
Grades 4 - 6	2.99	3.45
Grades 7 - 8	0.39	0.63
Grades 9 - 12	2.75	4.01
Total Special Education, Nonpublic, Nonsectarian Schools ADA	6.13	8.09
<b>Community Day School:</b>		
Grades 7 - 8	6.84	7.91
Grades 9 - 12	9.70	9.33
Total Community Day School ADA	16.54	17.24
Total ADA	20,708.73	20,624.51

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Schedule of Instructional Time*  
*For the Fiscal Year Ended June 30, 2019*

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<u>Grade Level</u>	<u>Required Minutes</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Traditional Calendar Days</u>	<u>Status</u>
Kindergarten	36,000	36,543	180	Complied
Grade 1	50,400	53,720	180	Complied
Grade 2	50,400	54,600	180	Complied
Grade 3	50,400	54,600	180	Complied
Grade 4	54,000	54,600	180	Complied
Grade 5	54,000	54,520	180	Complied
Grade 6	54,000	54,520	180	Complied
Grade 7	54,000	63,707	180	Complied
Grade 8	54,000	63,707	180	Complied
Grade 9	64,800	65,397	180	Complied
Grade 10	64,800	65,397	180	Complied
Grade 11	64,800	65,397	180	Complied
Grade 12	64,800	65,397	180	Complied

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2019*

General Fund	(Budget) 2020 <sup>2</sup>	2019	2018	2017
Revenues and other financing sources	\$ 262,192,157	\$ 274,085,742	\$ 244,519,394	\$ 236,816,526
Expenditures	263,376,446	257,105,431	236,098,880	224,190,337
Other uses and transfers out	7,488,874	12,501,718	8,826,780	9,814,218
Total outgo	<u>270,865,320</u>	<u>269,607,149</u>	<u>244,925,660</u>	<u>234,004,555</u>
Change in fund balance (deficit)	<u>(8,673,163)</u>	<u>4,478,593</u>	<u>(406,266)</u>	<u>2,811,971</u>
Ending fund balance	<u>\$ 27,959,906</u>	<u>\$ 36,633,069</u>	<u>\$ 33,328,599</u>	<u>\$ 33,734,865</u>
Available reserves <sup>1</sup>	<u>\$ 27,344,780</u>	<u>\$ 27,157,030</u>	<u>\$ 24,129,296</u>	<u>\$ 27,079,811</u>
Available reserves as a percentage of total outgo	<u>10.1%</u>	<u>10.1%</u>	<u>9.9%</u>	<u>11.6%</u>
Total long-term debt	<u>\$ 397,289,735</u>	<u>\$ 399,814,894</u>	<u>\$ 397,198,684</u>	<u>\$ 366,493,303</u>
Average daily attendance at P-2	<u>20,689</u>	<u>20,709</u>	<u>20,544</u>	<u>20,461</u>

The General Fund balance has increased by \$2,898,204 over the past two years. The fiscal year 2019-20 adopted budget projects an decrease of \$8,673,163. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in one of the past three years, and anticipates incurring an operating deficit during the 2019-20 fiscal year. Long-term debt has increased by \$33,321,591 over the past two years. The change in debt is due primarily in recognition of the District's proportionate share of the liabilities for CalSTRS and CalPERS.

Average daily attendance has increased by 248 over the past two years. A decrease of 20 ADA is anticipated for the 2019-20 fiscal year.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>2</sup> Revised Final Budget September 2019.

**HESPERIA UNIFIED SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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	<u>Capital Facilities Fund</u>
June 30, 2019, Annual Financial and Budget Report (SACS) fund balances	\$ 1,696,938
Adjustments and reclassifications:	
Increase (decrease) in total fund balances:	
Accounts payable overstated	<u>76,660</u>
Net adjustments and reclassifications	<u>76,660</u>
June 30, 2019, audited financial statement fund balances	<u><u>\$ 1,773,598</u></u>

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2019*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
<b>Federal Programs:</b>				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 2,417,597	
National School Lunch Program	10.555	13523	7,901,925	
USDA Donated Foods	10.555	13391	<u>848,623</u>	
Total Child Nutrition Cluster				\$ 11,168,145
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program (CACFP)	10.558	13393	302,130	
Cash in Lieu of Commodities	10.558	N/A	<u>49,440</u>	
Total Child and Adult Food Program Cluster				<u>351,570</u>
<b>Total U.S. Department of Agriculture</b>				<b><u>11,519,715</u></b>
U.S. Department of Defense:				
Reserve Officers Training Corps	12.357	10055		<u>187,382</u>
<b>Total U.S. Department of Defense</b>				<b><u>187,382</u></b>
U.S. Department of Labor:				
Passed through California Dept. of Education:				
Workforce Investment Act (WIA) From Other Agencies	17.259	10055		<u>361,741</u>
<b>Total U.S. Department of Labor</b>				<b><u>361,741</u></b>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE) Cluster:				
Adult Secondary Education	84.002	13978	182,050	
Adult Basic Education & ESL	84.002A	14508	<u>24,473</u>	
Total Adult Basic Education (ABE) Cluster				206,523
Every Student Succeeds Act (ESSA):				
Title I Grants to Local Educational Agencies Cluster:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	8,123,606	
School Improvement Funding for LEAs	84.010	15438	<u>1,856</u>	
Subtotal Title I Grants Cluster				8,125,462
Title II, Part A, Supporting Effective Instruction	84.367	14341		97,012
English Language Acquisition Cluster:				
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	144,663	
Title III, Immigrant Education Program	84.365	15146	<u>3,615</u>	
Total English Language Acquisition Cluster				148,278
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		213,382
Passed through Desert/Mountain SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,609,952	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	5,253	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	54,475	
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	<u>21,298</u>	
Total Special Education (IDEA) Cluster				<u>3,690,978</u>
<b>Total U.S. Department of Education</b>				<b><u>12,481,635</u></b>
U.S. Department of Health & Human Services:				
Passed through California Dept. of Health Services:				
Medi-Cal Billing Option	93.778	10013		<u>102,535</u>
<b>Total U.S. Department of Health &amp; Human Services</b>				<b><u>102,535</u></b>
<b>Total Expenditures of Federal Awards</b>				<b><u>\$ 24,653,008</u></b>

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

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Schedule of Charter Schools*  
*For the Fiscal Year Ended June 30, 2019*

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<u>Charter School</u>	<u>Charter Number</u>	<u>Inclusion in Financial Statements</u>
Encore Jr./Sr. High School for the Performing and Visual Arts	0971	Not included
LaVerne Elementary Preparatory Academy	1034	Not included
Mirus Secondary	0885	Not included
Pathways to College	0801	Not included
Summit Leadership Academy - High Desert	0671	Not included

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Note to the Supplementary Information*  
*June 30, 2019*

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**Schedule of Instructional Time**

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has met its LCFF target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the Education Code.

**Schedule of Financial Trends and Analysis**

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

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

**Schedule of Expenditures of Federal Awards**

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2019.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 25,266,237
Differences between Federal Revenues and Expenditures:		
Reserve Officers Training Corps	12.357	75,473
Medi-Cal Billing Option	93.778	(148,229)
Medi-Cal Administrative Activities (MAA)	93.778	(540,473)
Total Schedule of Expenditures of Federal Awards		<u>\$ 24,653,008</u>

**Schedule of Charter Schools**

This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

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***Other Independent Auditors' Reports***

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

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

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hesperia 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 the Hesperia Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hesperia Unified School District's internal control.

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

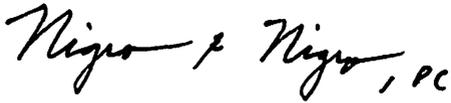
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hesperia Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Nigro & Nigro, PC".

Murrieta, California  
December 9, 2019



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

Board of Education  
Hesperia Unified School District  
Hesperia, California

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

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

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Hesperia 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 Hesperia Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Hesperia 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.

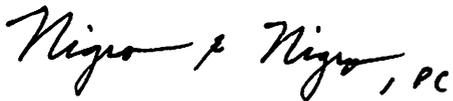
### **Report on Internal Control Over Compliance**

Management of Hesperia 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 Hesperia 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 the District's internal control over compliance.

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

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

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



Murrieta, California  
December 9, 2019



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Hesperia Unified School District
Hesperia, California

Report on State Compliance

We have audited Hesperia Unified School District's compliance with the types of compliance requirements described in the 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting that could have a direct and material effect on each of the Hesperia Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2019.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hesperia Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Hesperia Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Table with 2 columns: Description, Procedures Performed. Rows include: Local Education Agencies Other Than Charter Schools: Attendance (Yes), Teacher Certification and Misassignments (Yes), Kindergarten Continuance (Yes), Independent Study (Yes), Continuation Education (Yes), Instructional Time (Yes), Instructional Materials (Yes), Ratio of Administrative Employees to Teachers (Yes).

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

***Unmodified Opinion on Compliance with State Programs***

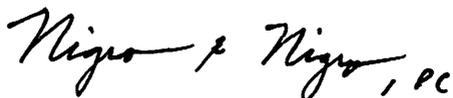
In our opinion, Hesperia Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to previously, which are required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which are described in the accompanying schedule of findings and questioned costs as Findings 2019-001 and 2019-002. Our opinion on each state program is not modified with respect to these matters.

***District's Responses to Findings***

Hesperia Unified School District's responses to the compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Hesperia Unified School District's responses were not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the responses.



Murrieta, California  
December 9, 2019

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***Findings and Questioned Costs***

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**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2019*

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

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

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
10.553 & 10.555                      Child Nutrition Cluster	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$            750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

***State Awards***

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2019*

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

***There were no financial statement findings in 2018-19.***

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2019*

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no federal award findings or questioned costs in 2018-19.*

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2019*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

**Finding 2019-001: School Accountability Report Card (72000)**  
*This is a repeat of Finding 2018-001.*

**Criteria:** In accordance with Education Code §33126, the school is to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Ed Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1st of each year.

**Condition:** It was noted that the School Facility Repair Status on the SARC for Hollyvale Elementary did not match the FIT form. The error was noted for one of the seven schools selected.

**Question Costs:** None.

**Cause:** The District failed to compare the information that was provided on Facilities Inspection Tool (FIT) forms to the information that was entered into the School Accountability Report Cards (SARC) prior to the submission of the SARCs.

**Effect:** Without proper compliance, the public will be misinformed on the status of the school's facilities.

**Recommendation:** We recommend that one District employee enter the information presented in the SARC and that a different employee compares the FIT forms to the SARCs to ensure the information is accurately presented. This information is essential to present the image of the school fairly to the public. In addition, the SARCs should be published on an annual basis by February 1st.

**Views of Responsible Officials:** The District has implemented a process of review in which one individual is responsible for the data input into the SARC and the reconciliation of data to the FIT.

**Finding 2019-002: Comprehensive School Safety Plan (40000)**

**Criteria:** According to Education Code section 32281 "each school district and county office of education is responsible for the overall development of all comprehensive school safety plans for its schools operating kindergarten or any of grades 1 to 12, inclusive." Furthermore, per section 32282, the comprehensive school safety plan "shall be evaluated at least once a year, to ensure that the comprehensive school safety plan is properly implemented."

**Condition:** During our testing of the comprehensive school safety plan, it was noted that the District did not update its plan by March 1, as required by the Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2019*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)**

**Finding 2019-002: Comprehensive School Safety Plan (40000) (continued)**

**Cause:** The District was unaware of the update requirements for compressive school safety plans until after the passing of the deadline, and therefore did not complete an update until March 4, 2019 for the 2018-19 school year.

**Effect:** Without timely review and update, the District's safety plan may become outdate and ineffective.

**Recommendation:** We recommend that the District implement a procedure to ensure that their plan is reviewed and updated annually by the March 1 deadline.

**Views of Responsible Officials:** The District has implemented a process to ensure all Comprehensive Site Safety Plans are submitted to the Board no later than March 1<sup>st</sup>.

**HESPERIA UNIFIED SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2019*

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2018-001: School Accountability Report Card</i>	<p>In accordance with Education Code §33126, the school is to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Education Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1st of each year.</p> <p>It was noted that the School Facility Repair Status on the SARC for Maple Elementary, Rancho Middle, Sultana High and Topaz Prep did not match the FIT form.</p>	72000	<p>We recommend that one District employee enter the information presented in the SARC and that a different employee compares the FIT forms to the SARCs to ensure the information is accurately presented. This information is essential to present the image of the school fairly to the public. In addition, the SARCs should be published on an annual basis by February 1st.</p>	<p>Not Implemented. See Finding 2019-001.</p>



To the Board of Education  
Hesperia Unified School District  
Hesperia, California

In planning and performing our audit of the basic financial statements of Hesperia Unified School District for the year ending 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 basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 9, 2019, on the financial statements of Hesperia Unified School District.

## ATTENDANCE

**Observation:** In our testing of attendance, we noted that four of the tested schools had teachers that were not certifying their attendance rosters on a weekly basis. When teachers are taking online attendance, the rosters are required to be printed out and signed by the teacher on a weekly basis to indicate their review and agreement of the attendance reported. However, we noted that this did not affect ADA.

**Recommendation:** We recommend that the rosters be signed and dated on a weekly basis as required by CDE to create a valid contemporaneous record. Alternatively, the District may seek approval for digital signatures, but a digital system must first be approved by the CDE.

## ASSOCIATED STUDENT BODY (ASB)

**Observation:** During our testing of cash receipts, we noted that two of the schools had deposits that lacked sufficient supporting documentation. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account.

**Recommendation:** We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash.

**Observation:** During our test of cash disbursements, we noted that three of the schools had disbursements selected in our sample that were not approved by the District representative, the ASB advisor, and/or the student representative until after the expenditure had already been incurred. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds.

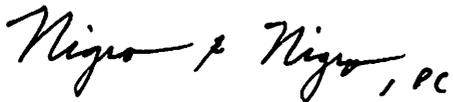
**Recommendation:** As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines.

**ASSOCIATED STUDENT BODY (ASB) (continued)**

**Observation:** During our disbursement testing at one of the schools, we discovered that the ASB is paying for booster club expenses. The booster clubs are signing contracts on behalf of the ASB and defaulting on payment causing the ASB to pay for these services. It is important to remember that student organizations are legally considered part of the school district, but booster clubs and other parent organizations are not. These nonstudent organizations are established to support the school district and its students, and they may raise funds and donate these funds to the district or purchase items with their funds for donation or assistance to the district; however, they are separate legal entities.

**Recommendation:** Expenses incurred by booster clubs or parent-teacher groups should not be commingled with the student organization or the district; rather, they should be paid for out of the organization's own bank account. These organizations can donate funds or services to the ASB, but once they have done so, the ASB decides how to use the funds, following district policy, procedures and applicable laws. It is critical that student groups and parent groups keep their activities and funds separate even though they are supporting the same students.

We will review the status of the current year comments during our next audit engagement.

A handwritten signature in cursive script that reads "Nigro & Nigro, PC".

Murrieta, California  
December 9, 2019

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**APPENDIX C**  
**GENERAL INFORMATION ABOUT**  
**THE CITY OF HESPERIA AND THE COUNTY OF SAN BERNARDINO**

*The following information concerning the City of Hesperia and the County of San Bernardino is included only for the purpose of supplying general information regarding the area of the District. The Certificates are not a debt of the City, the County, the State or any of its political subdivisions (other than the District), and neither the City, the County, the State nor any of its political subdivisions (other than the District) is liable therefor.*

**General**

The District is located in San Bernardino County, California (the “**County**”). It serves a portion of the City of Hesperia, a portion of the City of Victorville, and certain adjacent unincorporated territory, and encompasses an area of approximately 140 square miles. The District is located in the central area of the County, about 30 miles north of the City of San Bernardino.

**Population**

Population estimates of the past five years for the City, the County and the State are shown in the following table.

**CITY OF HESPERIA, SAN BERNARDINO COUNTY**  
**AND STATE OF CALIFORNIA**  
**Population Estimates**  
**Calendar Years 2016 through 2020**

<u>Year</u>	<u>City of Hesperia</u>	<u>San Bernardino County</u>	<u>State of California</u>
2016	97,772	2,123,677	39,131,307
2017	93,462	2,141,391	39,398,702
2018	94,346	2,152,845	39,586,646
2019	95,509	2,168,964	39,695,376
2020	96,393	2,180,537	39,782,870

*Source: California State Department of Finance.*

*[Remainder of page left intentionally blank]*

## Employment and Industry

The District is part of the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (“MSA”), which is comprised of the County. The unemployment rate in the MSA was 14.9% in May 2020, up from a revised 14.7% in April 2020, and above the year-ago estimate of 3.5%. This compares with an unadjusted unemployment rate of 15.9% for California and 13.0% for the nation during the same period. The unemployment rate was 15.8% in Riverside County, and 13.9% in San Bernardino County.

The table below list employment by industry group for the years 2015 through 2019.

### RIVERSIDE-SAN BERNARDINO-ONTARIO MSA Annual Average Civilian Labor Force, Employment and Unemployment by Industry (March 2019 Benchmark)

	2015	2016	2017	2018	2019
Civilian Labor Force <sup>(1)</sup>	1,954,200	1,983,300	2,017,700	2,053,400	2,071,800
Employment	1,825,800	1,865,200	1,914,900	1,966,800	1,988,600
Unemployment	128,500	118,000	102,800	86,600	83,200
Unemployment Rate	6.6%	6.0%	5.1%	4.2%	4.0%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	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
Trade, Transportation & Utilities	333,100	347,900	365,500	379,600	390,700
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 & 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 & Business Services	147,400	144,900	146,900	151,400	155,500
Educational & Health Services	206,300	215,700	226,700	239,500	250,100
Leisure & Hospitality	151,700	160,200	166,300	170,600	175,200
Other Services	44,000	44,600	45,400	45,800	45,800
Federal Government	20,300	20,400	20,600	20,700	21,100
State Government	28,700	29,700	30,400	30,600	31,200
Local Government	184,400	192,200	200,100	205,900	208,200
<b>Total, All Industries<sup>(3)</sup></b>	<b>1,369,100</b>	<b>1,417,900</b>	<b>1,469,400</b>	<b>1,521,200</b>	<b>1,556,900</b>

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

## Major Employers

The following table lists the principal employers within the County as of June 30, 2019, in alphabetical order.

### SAN BERNARDINO COUNTY Principal Employers 2019

<b>Employer Name</b>	<b>Employees<sup>[1]</sup></b>
County of San Bernardino	>10,000
Amazon	>10,000
Loma Linda University Medical Center	>10,000
Kaiser Permanente	>10,000
State of California	>10,000
Wal-Mart	5,000-9,999
United Parcel Service	5,000-9,999
Stater Brothers	5,000-9,999
Federal Express	2,500-4,999
San Manuel Tribe and Casino	2,500-4,999

[1] Data represents estimated number of employees.

Source: San Bernardino County Comprehensive Annual Financial Report.

## Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2016 through 2020.

### CITY OF HESPERIA AND SAN BERNARDINO COUNTY Median Household Effective Buying Income 2016 through 2020

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
City of Hesperia	\$40,121	\$41,088	\$43,289	\$46,464	\$50,422
San Bernardino County	46,789	47,423	50,226	52,631	56,502
California	53,589	55,681	59,646	62,637	65,870
United States	46,738	48,043	50,735	52,841	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

## Commercial Activity

Total taxable sales during calendar year 2019 in the City were reported to be \$889,653,855, a 2.81% increase over the total taxable sales of \$865,339,045 reported during calendar year 2018.

**CITY OF HESPERIA**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015 <sup>(1)</sup>	1,144	\$624,701	1,845	\$760,551
2016	1,114	633,121	1,819	745,095
2017	1,162	673,591	1,883	799,681
2018	1,233	727,971	2,028	865,339
2019	1,340	737,658	2,186	889,654

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2019 in the County were reported to be \$41,770,308,843, a 3.00% increase over the total taxable sales of \$40,554,023,790 reported during calendar year 2018.

**SAN BERNARDINO COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015 <sup>(1)</sup>	18,499	\$23,142,828	56,961	\$35,338,556
2016	38,366	24,242,145	57,542	36,981,694
2017	39,067	25,341,773	58,956	38,137,915
2018	39,837	26,905,784	61,838	40,554,024
2019	40,964	27,564,216	64,771	41,770,309

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

## Construction Activity

Building activity for the past five years in the City and the County for which data is available is shown in the following tables.

### CITY OF HESPERIA Total Building Permit Valuations (Valuations in Thousands)

Permit Valuation	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
New Single-family	\$21,291.7	\$39,380.9	\$51,816.6	\$91,350.1	\$43,234.1
New Multi-family	221.2	6,576.3	10,328.0	13,910.1	21,356.1
Res. Alterations/Additions	<u>8,828.1</u>	<u>3,578.8</u>	<u>2,527.8</u>	<u>4,253.3</u>	<u>3,944.3</u>
Total Residential	30,341.0	49,536.0	64,672.4	109,513.5	68,534.5
New Commercial	2,902.6	3,742.2	10,590.1	3,857.3	10,975.6
New Industrial	340.0	0.0	0.0	1,925.0	0.0
New Other	4,193.6	10,010.9	4,855.5	4,808.9	5,624.5
Com. Alterations/Additions	<u>5,624.6</u>	<u>6,827.4</u>	<u>5,153.3</u>	<u>9,709.6</u>	<u>13,498.6</u>
Total Nonresidential	13,060.8	20,580.5	20,598.9	20,300.8	30,098.7
<u>New Dwelling Units</u>					
Single Family	100	177	240	219	206
Multiple Family	<u>2</u>	<u>98</u>	<u>116</u>	<u>124</u>	<u>225</u>
TOTAL	102	275	356	343	431

Source: Construction Industry Research Board, Building Permit Summary.

### COUNTY OF SAN BERNARDINO Total Building Permit Valuations (Valuations in Thousands)

Permit Valuation	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
New Single-family	\$830,771.7	\$706,601.8	\$1,009,450.8	\$1,114,777.8	\$1,078,797.7
New Multi-family	155,341.4	119,497.6	287,760.5	268,564.9	232,079.3
Res. Alterations/Additions	<u>70,459.1</u>	<u>62,042.4</u>	<u>77,811.9</u>	<u>71,937.8</u>	<u>139,761.1</u>
Total Residential	1,056,572.2	888,141.8	1,375,023.2	1,455,280.5	1,450,638.1
New Commercial	276,493.3	189,230.5	324,540.4	230,518.8	449,998.5
New Industrial	445,168.7	426,747.9	543,462.7	387,108.6	476,322.3
New Other	166,531.8	96,402.8	86,981.8	74,356.9	85,651.8
Com. Alterations/Additions	<u>258,527.9</u>	<u>308,269.9</u>	<u>330,612.1</u>	<u>388,145.5</u>	<u>365,127.0</u>
Total Nonresidential	1,146,721.7	1,020,651.1	1,285,597.0	1,080,129.8	1,377,099.6
<u>New Dwelling Units</u>					
Single Family	2,743	2,896	4,253	3,311	4,096
Multiple Family	<u>1,159</u>	<u>976</u>	<u>2,578</u>	<u>1,775</u>	<u>1,884</u>
TOTAL	3,912	3,872	6,831	5,086	5,980

Source: Construction Industry Research Board, Building Permit Summary.

## APPENDIX D

### FORM OF LEGAL OPINION

Board of Trustees  
Hesperia Unified School District  
15576 Main Street  
Hesperia, California 92345

**OPINION:** \$\_\_\_\_\_ 2020 Refunding Certificates of Participation Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the Hesperia Unified School District, California as the Rental for Certain Property Under a Lease Agreement with the Hesperia School District Financing Corporation

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Members of the Board of Trustees:

We have acted as special counsel in connection with the delivery by the Hesperia Unified School District (the "District"), of a Lease Agreement dated as of July 1, 2020 (the "Lease Agreement"), between the Hesperia School District Financing Corporation (the "Corporation") as lessor and the District as lessee. Under a Trust Agreement dated as of July 1, 2020 (the "Trust Agreement"), among the District, the Corporation and U.S. Bank National Association, as trustee thereunder (the "Trustee"), the Trustee has executed and delivered \$\_\_\_\_\_ aggregate principal amount of 2020 Refunding Certificates of Participation (the "Certificates") evidencing the direct, undivided fractional interests of the owners thereof in lease payments to be made by the District under the Lease Agreement (the "Lease Payments"), which have been assigned by the Corporation to the Trustee under an Assignment Agreement dated as of July 1, 2020 (the "Assignment Agreement") between the Corporation and the Trustee. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Lease Agreement and the Trust Agreement, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is a school district duly organized and validly existing under the Constitution and laws of the State of California with the full power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement and the Trust Agreement have been duly approved by the District and constitute valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the assignment made under the Assignment Agreement, the owners of the Certificates are entitled to the benefits of the Lease Agreement.

4. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Lease Agreement or the Certificates.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement and the Trust Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**2020 REFUNDING CERTIFICATES OF PARTICIPATION**  
Evidencing the Direct, Undivided Fractional Interests of the  
Owners Thereof in Lease Payments to be Made by the  
**HESPERIA UNIFIED SCHOOL DISTRICT**  
to Hesperia School District Financing Corporation  
(Federally Taxable)

#### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is dated July \_\_\_\_, 2020 and is executed and delivered by the Hesperia Unified School District (the “**District**”) in connection with the execution and delivery of the captioned certificate of participation (the “**Certificates**”). The Certificates are being executed and delivered pursuant to a Trust Agreement dated as of July 1, 2020 (the “**Trust Agreement**”), by and among the District, the Hesperia School District Financing Corporation and U.S. Bank National Association as trustee for the Certificates (the “**Trustee**”).

The District hereby 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 Certificates 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 above and in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

“*Annual Report*” means any Annual Report provided by the District under and as described in Sections 3 and 4.

“*Annual Report Date*” means the date not later than nine months after the end of each fiscal year of the District (currently June 30<sup>th</sup>).

“*Dissemination Agent*” initially, Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a).

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Certificates.

“*Participating Underwriter*” means RBC Capital Markets, LLC, the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“*Rule*” means 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.

“*Trustee*” means U.S. Bank National Association, or any successor thereto.

### **Section 3. Provision of Annual Reports.**

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing not later than March 31, 2021, with the report for the 2019-20 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. The filing of the Official Statement for the Certificates shall satisfy the filing of the initial Annual Report. 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). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriter.

- (c) With respect to each Annual Report, the Dissemination Agent shall:
- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
  - (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided under this Disclosure Certificate, and stating the date it was provided.

**Section 4. Content of Annual Reports.** The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements 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 Annual Report Date, 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.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the Official Statement:

(i) average daily attendance and LCFF revenue information (or equivalent information as may be reasonably available) in District schools on an aggregate basis for the preceding fiscal year;

(ii) the number of District employees for the preceding fiscal year, broken down into the following categories: non-management certificated; certificated management; classified non-management; classified management; and total number of employees;

(iii) pension plan contributions made by the District for the preceding fiscal year;

(iv) the District's audited Statement of Income, Expenditures and Changes in Fund Balance for the General Fund for the preceding fiscal year;

(iv) the District's adopted budget for the current fiscal year, together with any amendments thereto;

(v) information regarding the investment policies and practices with respect to the District funds and the status of the investment of District funds, similar to information included in the Official Statement, including the annual report for the last completed fiscal year relating to the Pooled Surplus Investments Fund maintained by San Bernardino County.

(vi) the assessed value of taxable property within the District and the District's total property tax levy for the preceding fiscal year;

(vii) outstanding borrowing and long-term obligations included:

(1) general obligation bonds, certificates of participation, capital leases and operating leases;

(2) a description of any obligations of the type referred to in (1) above that have been issued, entered into or incurred since the beginning of the District's current fiscal year; and

- (3) a description of any obligations of the type referred to in (1) above that the District reasonably expects to issue, enter into or incur within the 60 day period following the date of the Annual Report.

(viii) the District's most recent interim report.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) 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 are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission.

#### **Section 5. Reporting of Significant Events.**

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Certificate calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) 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, if material.

- (14) Appointment of a successor or additional Trustee or the change of name of a Trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, the notice of Listed Event described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a certificate call), (a)(10), (a)(13), (a)(14) , and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Lease Payments relating to the Certificates. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above 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 United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or 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.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

**Section 6. Identifying Information for Filings with the MSRB.** All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**Section 7. Termination of Reporting Obligation.** The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**Section 8. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

**Section 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), 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 Certificates, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the

former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

**Section 10. 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 Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 11. Default.** If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates 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 Trust Agreement, 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 12. Duties, Immunities and Liabilities of Dissemination Agent.**

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

**Section 13. 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 Certificates, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2020

**HESPERIA UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Hesperia Unified School District (the "District")

Name of Issue: \$\_\_\_\_\_ Hesperia Unified School District 2020 Refunding  
Certificates of Participation (Federally Taxable)

Date of Issuance: \_\_\_\_\_, 2020

**NOTICE IS HEREBY GIVEN** that the District has not provided an Annual Report with respect to the above-named Certificates of Participation as required by the Continuing Disclosure Certificate executed by the District in connection with the execution and delivery of the Certificates captioned above. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

**HESPERIA UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

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## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) Certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this APPENDIX. 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 DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”) will act as securities depository for the securities (in this APPENDIX, the “Certificates”). The Certificates 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 Certificate will be issued for each maturity of each series of the Certificates, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

4. To facilitate subsequent transfers, all Certificates 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 Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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.

5. 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 Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 the notices be provided directly to them.

6. Prepayment notices will be sent to DTC. If less than all of the Certificates within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's

MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Prepayment proceeds, distributions, and interest payments on the Certificates 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 District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

10. 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, Certificate certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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**APPENDIX G**  
**SAN BERNARDINO COUNTY INVESTMENT POLICY**  
**AND REPORT**

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**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF THE COUNTY OF SAN BERNARDINO  
AND RECORD OF ACTION**

March 24, 2020

**FROM**

**ENSEN MASON, Auditor-Controller/Treasurer/Tax Collector**

**SUBJECT**

Treasurer's Statement of Investment Policy

**RECOMMENDATION(S)**

1. Find that the exigent circumstances created by the Novel Coronavirus pandemic requires an immediate amendment to the San Bernardino County Investment Policy to protect the public's health, safety and, welfare.
2. Approve the amendment of the San Bernardino County Investment Policy by increasing the investment amount authorized pursuant to California Government Code Section 53601(l)(5) from 15% to 20%.

(Presenter: John Johnson, Chief Deputy Treasurer, 382-3002)

**COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES**

**Operate in a Fiscally-Responsible and Business-Like Manner.**

**FINANCIAL IMPACT**

Approval of this item will not impact Discretionary General Funding (Net County Cost).

**BACKGROUND INFORMATION**

The panic arising from the Novel Coronavirus (COVID-19) pandemic has caused severe capital market disruptions similar to what the County of San Bernardino (County) experienced during and after the onset of the financial crisis that commenced subsequent to the Lehman Brothers default in 2008.

The San Bernardino County Treasurer (Treasurer) has placed all corporate issuers on a "DO NOT BUY" status until markets normalize. This means that the County Treasury will only be purchasing instruments with a US Government backing or guarantee until conditions improve. This greatly limits available investment options. Accordingly, the Treasurer is proposing an amendment to the San Bernardino County Investment Policy (Investment Policy), the timing of which is critical due to the upcoming inflow of an estimated \$900 million of property tax installment payments.

Therefore, the Treasurer is requesting that the Board of Supervisors immediately approve an Investment Policy amendment increasing the maximum portfolio concentration of Money Market Mutual Funds authorized by California Government Code (CGC) Section 53601 (l) (5) from 15% to 20%. All other existing Money Market Fund limitations stated in the Statement of Investment Policy shall remain in effect.

**Treasurer’s Statement of Investment Policy**  
**March 24, 2020**

Approval of this amendment will allow the Treasury to employ additional government backed liquidity capacity to manage the influx of property tax installment deposits.

The current Investment Policy provides, in pertinent part, as follows:

Authorized Investments	Diversification	Purchase Restrictions	Maturity (not to exceed)	Minimum Allowable Credit Quality (S&P/Moody’s/Fitch)
Money Market mutual funds that meet requirements of California Government Code	15%	Registered with SEC. No NAV adjustments. No loads. Max 10% per fund.	Immediate Liquidity	AAA by at least 2 of the 3 rating agencies*
*Standard & Poor’s Ratings Services, Moody’s Investors Service Inc., and Fitch Ratings Ltd. “New Issue” securities may be purchased and settled based on anticipated ratings.				

However, CGC 53601(l)(5) authorizes local governments to invest up to 20% of the agency’s moneys in Money Market mutual funds subject to certain limitations.

It has been a best practice for the Treasury to present all proposed Investment Policy changes to the Treasury Oversight Committee (TOC) for review before submission to the Board of Supervisors for approval as required by CGC Section 53646 (a)(1). The TOC is required to review and monitor the Investment Policy annually pursuant to CGC Section 27133; however, there is no mandatory requirement that amendments to the Investment Policy be reviewed by the TOC prior to submission to the Board of Supervisors for approval.

Approval of Recommendation No. 2 will approve the amended Treasurer’s Statement of Investment Policy, as detailed in Attachment A.

**PROCUREMENT**

N/A

**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Robert F. Messinger, Principal Assistant County Counsel, 387-5455) on March 19, 2020; Finance (Carl Lofton, Administrative Analyst, 387-5404) on March 19, 2020; and County Finance and Administration (Robert Saldana, Deputy Executive Officer, 387-5423) on March 19, 2020.

**Treasurer's Statement of Investment Policy  
March 24, 2020**

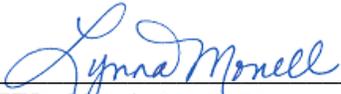
Record of Action of the Board of Supervisors  
County of San Bernardino

**APPROVED (CONSENT CALENDAR)**

Moved: Robert A. Lovingood Seconded: Josie Gonzales

Ayes: Robert A. Lovingood, Janice Rutherford, Dawn Rowe, Curt Hagman, Josie Gonzales

Lynna Monell, CLERK OF THE BOARD

BY   
DATED: March 24, 2020



cc: File - ATC w/attach

KS 03/26/2020



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

**TREASURER'S STATEMENT OF INVESTMENT POLICY**

As approved by the Board of Supervisors on March 24, 2020

**SCOPE:**

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

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

**FIDUCIARY RESPONSIBILITY:**

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

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

**PORTFOLIO OBJECTIVES:**

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

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

**AUTHORITY:**

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

**AUTHORIZED INVESTMENTS:**

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

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

**PROHIBITED INVESTMENTS:**

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

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

**STAFF AUTHORIZED TO MAKE INVESTMENTS:**

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

**AUTHORIZED BROKER/DEALERS:**

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

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

**DUE DILIGENCE:**

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

**INTERNAL CONTROLS:**

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

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

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

**SECURITY CUSTODY & DELIVERIES:**

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

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

**REPURCHASE AGREEMENTS:**

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

**COMPETITIVE PRICING:**

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

**LIQUIDITY:**

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

**PERFORMANCE EVALUATION:**

Portfolio performance is monitored daily by the Treasurer and monthly by third-party analysis, which includes security pricing, evaluation, and a total return measurement using the Bank of America Merrill Lynch 6-month Treasury Bill Index "G002" as a benchmark.

**MITIGATING MARKET & CREDIT RISKS:**

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

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

**TRADING & EARLY SALE OF SECURITIES:**

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

**PURCHASE OF SECURITIES FOR FORWARD SETTLEMENT:**

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

**PORTFOLIO REPORTS/AUDITING:**

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

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

### **TREASURY OVERSIGHT COMMITTEE:**

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

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

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

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

### **QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS:**

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

### **QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS:**

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

**WITHDRAWAL OF FUNDS:**

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

The request should be submitted and processed as follows:

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

**CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY INTO THE TREASURY POOL:**

The County Treasurer is not soliciting nor accepting any new agency's voluntary entry into the Treasury Pool.

**ETHICS & CONFLICTS OF INTEREST:**

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

**POLICY ADOPTION & AMENDMENTS:**

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

**COUNTY OF SAN BERNARDINO INVESTMENT POLICY**

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

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

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

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

**SCHEDULE II**

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

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

1. The total of Reverse Repurchase Agreement and Securities Lending Agreement transactions shall not exceed 10 percent of the base value of the portfolio.
2. The term of such agreements shall not exceed 92 calendar days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using such an agreement and the final maturity date of the same security.
3. All loaned securities subject to Reverse Repurchase Agreements or Securities Lending Agreements shall be properly flagged and immediately accounted for in the Treasurer's financial system.
4. Investments purchased from the loaned proceeds of the Reverse Repurchase Agreement shall have maturities not exceeding the due date for repayment of the Reverse Repurchase Agreement transaction.
5. Only U.S. Treasury Notes and Federal Agency securities owned, fully paid for, and held in the Treasurer's portfolio for a minimum of 30 days can be subject to Reverse Repurchase Agreement and Securities Lending Agreement transactions.
6. Reverse Repurchase Agreements and Securities Lending Agreements shall only be placed on portfolio securities that are intended to be held to maturity, have been fully paid for, and have been held in the portfolio for a minimum of 30 days.
7. Reverse Repurchase Agreements and Securities Lending Agreements shall only be made with primary dealers of the Federal Reserve Bank of New York.
8. A contractual agreement must be in place prior to entering into a Reverse Repurchase Agreement or Securities Lending Agreement with any authorized primary dealer.
9. Reverse Repurchase Agreement and Securities Lending Agreement transactions shall have the approval of the County Treasurer.

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

**SCHEDULE III**

**POLICY CRITERIA FOR COLLATERALIZED CERTIFICATE OF DEPOSITS**

1. The bank must provide us with an executed copy of the authorization for deposit of moneys.
2. The money-market yield on the certificate of deposit must be competitive with negotiable CD's offered by banks on the county's pre-approved list in the maturities desired by the County. The County Treasurer's Office reserves the right to negotiate higher yields based on market conditions at the time.
3. Collateral Requirements: the County will only accept U.S. Treasury and/or Agency securities as collateral. The collateral must be held by a separate custodial bank in an account in the name of San Bernardino County. The County must have perfected interest in the collateral. The maximum maturity of securities is 5 years, the collateral must be priced at 110% of the face value of the CD on a daily basis, and the minimum face value per pledged security is \$5 million. The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. Additionally, a statement of the collateral shall be provided on a monthly basis from the custodial bank.
4. The County Treasurer must be given a current audited financial statement for the financial year just ended. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.
5. The County Treasurer must receive a certificate of deposit, which specifically expresses the terms governing the transaction, such as: deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc.).
6. Notwithstanding the above, the certificate of deposit must meet the requirements of Fitch Ratings Ltd. for the County to maintain its AAA pool rating. These requirements typically include an A-1/P-1 and/or F1 short-term rating. The County may rely on credit ratings of Standard & Poor's, Moody's and Fitch to determine the creditworthiness of an institution and/or may supplement this research with its own financial analysis.
7. Deposits will only be made with banks and savings and loans having branch office locations within San Bernardino County.

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

**SCHEDULE IV**

**POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS**

1. All financial institutions wishing to be considered for the County of San Bernardino's Broker/Dealer List must confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses.
2. The County Treasurer's intent is to enter into a long-term relationship. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.
3. The firm must acknowledge receipt of the County Treasurer's written Investment Policy guidelines.
4. It is important that the firm provide related services that will enhance the account relationship, which could include:
  - (a) An active secondary market for its securities.
  - (b) Internal credit research analysis on commercial paper, bankers' acceptances and other securities it offers for sale.
  - (c) Be willing to purchase securities from our portfolio.
  - (d) Be capable of providing market analysis, economic projections, and newsletters.
5. The firm must provide the County with annual financial statements. All firms with whom the County does business must have a stable financial condition.
6. The County Treasury is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's custodial bank.
7. Without exception, all transactions are to be conducted on a delivery vs. payment (DVP) basis or, for repurchase agreements, on a tri-party basis.
8. The broker/dealer must have been in operation for more than five (5) years.
9. Firms must have adequate financial strength and capital to support the level of trading that is approved. Adequate financial strength will be assessed by a review of the balance sheet and income statement of the dealer. Broker/dealers with less than \$10 million of net capital may be approved for trading that is limited in maturity or amount or may not be approved for extended settlement trades.
10. Repurchase agreement counterparties will be limited to primary government securities dealers who report to the Federal Reserve Bank of New York and meet the following criteria:
  - (a) Counterparties must have a minimum of one short-term credit rating of at least A-1, P-1, and/or F1.
  - (b) Counterparties and/or their parent must have a minimum of \$25 billion in assets and \$350 million in capital.

## GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CUSIP** – A unique identifier for a security developed by the Committee on Uniform Security Identification Procedures (CUSIP). The identifier is a nine-digit alphanumeric character. The first six characters identify the

issuer, the following two identify the issue, and the final character is a check digit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Customer Service  
PO Box 11813  
Harrisburg, PA 17108-1813

## ACCOUNT STATEMENT

### SAN BERNARDINO COUNTY

For the Month Ending  
**May 31, 2020**

#### Client Management Team

**Kenneth Schiebel, CFA**

Managing Director  
213 Market Street  
Harrisburg, PA 17101-2141  
717-232-2723  
schiebelk@pfm.com

**Danny A. Nelson**

Senior Managing Consultant  
50 South 6th Street, Suite 2250  
Minneapolis, MN 55402  
612-371-3747  
nelsond@pfm.com

#### Contents

Cover/Disclosures  
Summary Statement  
Individual Accounts

#### Accounts included in Statement

76990800      SAN BERNARDINO COUNTY

SAN BERNARDINO COUNTY  
PARTH BHATT  
268 WEST HOSPITALITY LANE  
FIRST FLOOR  
SAN BERNARDINO, CA 92415-0360

**Online Access**    [www.pfm.com](http://www.pfm.com)

**Customer Service**    1-717-232-2723

**Important Disclosures****Important Disclosures**

This statement is for general information purposes only and is not intended to provide specific advice or recommendations. PFM Asset Management LLC ("PFM") is an investment advisor registered with the Securities and Exchange Commission, and is required to maintain a written disclosure statement of our background and business experience. If you would like to receive a copy of our current disclosure statement, please contact Service Operations at the address below.

**Proxy Voting** PFM does not normally receive proxies to vote on behalf of its clients. However, it does on occasion receive consent requests. In the event a consent request is received the portfolio manager contacts the client and then proceeds according to their instructions. PFM's Proxy Voting Policy is available upon request by contacting Service Operations at the address below.

**Questions About an Account** PFM's monthly statement is intended to detail our investment advisory activity as well as the activity of any accounts held by clients in pools that are managed by PFM. The custodian bank maintains the control of assets and executes (i.e., settles) all investment transactions. The custodian statement is the official record of security and cash holdings and transactions. PFM recognizes that clients may use these reports to facilitate record keeping and that the custodian bank statement and the PFM statement should be reconciled and differences resolved. Many custodians use a settlement date basis which may result in the need to reconcile due to a timing difference.

**Account Control** PFM does not have the authority to withdraw funds from or deposit funds to the custodian. Our clients retain responsibility for their internal accounting policies; implementing and enforcing internal controls and generating ledger entries or otherwise recording transactions.

**Market Value** Generally, PFM's market prices are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv or Bloomberg. Where prices are not available from generally recognized sources the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. Non-negotiable FDIC-insured bank certificates of deposit are priced at par. Although PFM believes the prices to be reliable, the values of the securities do not always represent the prices at which the securities could have been bought or sold. Explanation of the valuation methods for a registered investment company, local government investment program, or TERM funds is contained in the appropriate fund offering documentation or information statement.

**Amortized Cost** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short term securities (those with less than one year to maturity at time of issuance) is amortized on a straightline basis. Such discount or premium with respect to longer term securities is amortized using the constant yield basis.

**Tax Reporting** Cost data and realized gains / losses are provided for informational purposes only. Please review for accuracy and consult your tax advisor to determine the tax consequences of your security transactions. PFM does not report such information to the IRS or other taxing authorities and is not responsible for the accuracy of such information that may be required to be reported to federal, state or other taxing authorities.

**Financial Situation** In order to better serve you, PFM should be promptly notified of any material change in your investment objective or financial situation.

**Callable Securities** Securities subject to redemption prior to maturity may be redeemed in whole or in part before maturity, which could affect the yield represented.

**Portfolio** The securities in this portfolio, including shares of mutual funds, are not guaranteed or otherwise protected by PFM, the FDIC (except for certain non-negotiable certificates of deposit) or any government agency. Investment in securities involves risks, including the possible loss of the amount invested. Actual settlement values, accrued interest, and amortized cost amounts may vary for securities subject to an adjustable interest rate or subject to principal paydowns. Any changes to the values shown may be reflected within the next monthly statement's beginning values.

**Rating** Information provided for ratings is based upon a good faith inquiry of selected sources, but its accuracy and completeness cannot be guaranteed. Shares of some money market and TERM funds are marketed through representatives of PFM's wholly owned subsidiary, PFM Fund Distributors, Inc. PFM Fund Distributors, Inc. is registered with the SEC as a broker/dealer and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Municipal Securities Rulemaking Board ("MSRB"). You may reach the FINRA by calling the FINRA Regulator Public Disclosure Hotline at 1-888-289-9999 or at the FINRA Regulation Internet website address [www.nasd.com](http://www.nasd.com). A brochure describing the FINRA Regulation Public Disclosure Program is also available from the FINRA upon request.

**Key Terms and Definitions**

**Dividends** on money market funds consist of interest earned, plus any discount ratably amortized to the date of maturity, plus all realized gains and losses on the sale of securities prior to maturity, less ratably amortization of any premium and all accrued expenses to the fund. Dividends are accrued daily and may be paid either monthly or quarterly. The monthly earnings on this statement represent the estimated dividend accrued for the month for any program that distributes earnings on a quarterly basis. There is no guarantee that the estimated amount will be paid on the actual distribution date.

**Current Yield** is the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical fund account with a balance of one share over the seven-day base period including the statement date, expressed as a percentage of the value of one share (normally \$1.00 per share) at the beginning of the seven-day period. This resulting net change in account value is then annualized by multiplying it by

365 and dividing the result by 7. The yields quoted should not be considered a representation of the yield of the fund in the future, since the yield is not fixed.

**Average maturity** represents the average maturity of all securities and investments of a portfolio, determined by multiplying the par or principal value of each security or investment by its maturity (days or years), summing the products, and dividing the sum by the total principal value of the portfolio. The stated maturity date of mortgage backed or callable securities are used in this statement. However the actual maturity of these securities could vary depending on the level or prepayments on the underlying mortgages or whether a callable security has or is still able to be called.

**Monthly distribution yield** represents the net change in the value of one share (normally \$1.00 per share) resulting from all dividends declared during the month by a fund expressed as a percentage of the value of one share at the beginning of the month. This resulting net change is then annualized by multiplying it by 365 and dividing it by the number of calendar days in the month.

**YTM at Cost** The yield to maturity at cost is the expected rate of return, based on the original cost, the annual interest receipts, maturity value and the time period from purchase date to maturity, stated as a percentage, on an annualized basis.

**YTM at Market** The yield to maturity at market is the rate of return, based on the current market value, the annual interest receipts, maturity value and the time period remaining until maturity, stated as a percentage, on an annualized basis.

**Managed Account** A portfolio of investments managed discretely by PFM according to the client's specific investment policy and requirements. The investments are directly owned by the client and held by the client's custodian.

**Unsettled Trade** A trade which has been executed however the final consummation of the security transaction and payment has not yet taken place.

Please review the detail pages of this statement carefully. If you think your statement is wrong, missing account information, or if you need more information about a transaction, please contact PFM within 60 days of receipt. If you have other concerns or questions regarding your account you should contact a member of your client management team or PFM Service Operations at the address below.

PFM Asset Management LLC  
Attn: Service Operations  
213 Market Street  
Harrisburg, PA 17101



**Consolidated Summary Statement**

**Account Statement**  
For the Month Ending **May 31, 2020**

SAN BERNARDINO COUNTY

**Portfolio Summary**

<b>Portfolio Holdings</b>	<b>Cash Dividends and Income</b>	<b>Closing Market Value</b>
PFM Managed Account	14,799,641.86	8,659,284,614.73
Cash Balance	0.00	202,244,445.35
<b>Total</b>	<b>\$14,799,641.86</b>	<b>\$8,861,529,060.08</b>

**Investment Allocation**

<b>Investment Type</b>	<b>Closing Market Value</b>	<b>Percent</b>
Asset-Backed Security	222,766,544.23	2.51
Bank Note	133,226,440.16	1.50
Certificate of Deposit	1,401,999,967.58	15.82
Commercial Paper	579,502,300.00	6.54
Corporate Note	173,457,622.78	1.96
Federal Agency Bond / Note	2,385,921,130.83	26.93
Federal Agency Discount Note	284,872,134.15	3.21
Federally Insured Cash Account	50,000,000.00	0.56
Joint Powers Authority	300,000,000.00	3.39
Money Market Mutual Fund	552,000,000.00	6.23
NOW Account	200,000,000.00	2.26
Supra-National Agency Bond / Note	247,117,030.00	2.79
Supra-National Discount Note	59,999,580.00	0.68
U.S. Treasury Bond / Note	2,068,421,865.00	23.34
Cash Balance	202,244,445.35	2.28
<b>Total</b>	<b>\$8,861,529,060.08</b>	<b>100.00%</b>



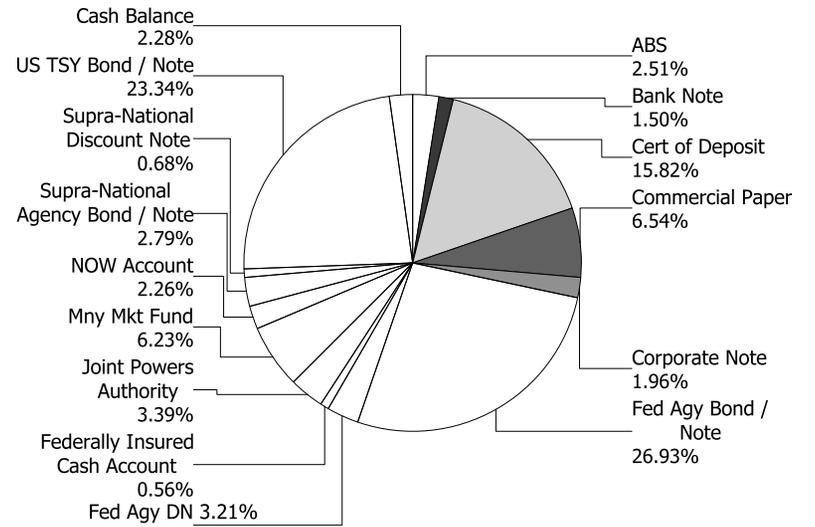
**Consolidated Summary Statement**

SAN BERNARDINO COUNTY

**Maturity Distribution (Fixed Income Holdings)**

**Sector Allocation**

Portfolio Holdings	Closing Market Value	Percent
Under 30 days	1,739,536,357.60	19.62
31 to 60 days	510,380,640.00	5.76
61 to 90 days	525,568,762.68	5.93
91 to 180 days	1,221,222,473.95	13.78
181 days to 1 year	1,053,442,666.83	11.89
1 to 2 years	989,702,739.23	11.17
2 to 3 years	927,754,837.76	10.47
3 to 4 years	1,086,028,266.63	12.26
4 to 5 years	807,892,315.40	9.12
Over 5 years	0.00	0.00
<b>Total</b>	<b>\$8,861,529,060.08</b>	<b>100.00%</b>
<b>Weighted Average Days to Maturity</b>	<b>524</b>	





## Managed Account Summary Statement

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

### Transaction Summary - Managed Account

<b>Opening Market Value</b>	<b>\$9,196,977,739.88</b>
Maturities/Calls	(690,472,206.05)
Principal Dispositions	(1,239,000,000.00)
Principal Acquisitions	1,387,232,666.67
Unsettled Trades	0.00
Change in Current Value	4,546,414.23
<b>Closing Market Value</b>	<b>\$8,659,284,614.73</b>

### Cash Transactions Summary - Managed Account

Maturities/Calls	688,482,151.76
Sale Proceeds	1,239,000,000.00
Coupon/Interest/Dividend Income	6,296,425.31
Principal Payments	4,774,206.05
Security Purchases	(1,512,202,959.38)
Net Cash Contribution	(426,349,823.73)
Reconciling Transactions	0.00

### Earnings Reconciliation (Cash Basis) - Managed Account

Interest/Dividends/Coupons Received	9,080,577.07
Less Purchased Interest Related to Interest/Coupons	(97,292.71)
Plus Net Realized Gains/Losses	5,816,357.50
<b>Total Cash Basis Earnings</b>	<b>\$14,799,641.86</b>

### Cash Balance

**Closing Cash Balance** **\$0.00**

### Earnings Reconciliation (Accrual Basis)

	<b>Total</b>
Ending Amortized Value of Securities	8,511,460,234.35
Ending Accrued Interest	28,240,426.80
Plus Proceeds from Sales	1,239,000,000.00
Plus Proceeds of Maturities/Calls/Principal Payments	693,256,357.81
Plus Coupons/Dividends Received	6,296,425.31
Less Cost of New Purchases	(1,387,329,959.38)
Less Beginning Amortized Value of Securities	(9,052,198,571.69)
Less Beginning Accrued Interest	(27,579,964.69)
<b>Total Accrual Basis Earnings</b>	<b>\$11,144,948.51</b>



## Portfolio Summary and Statistics

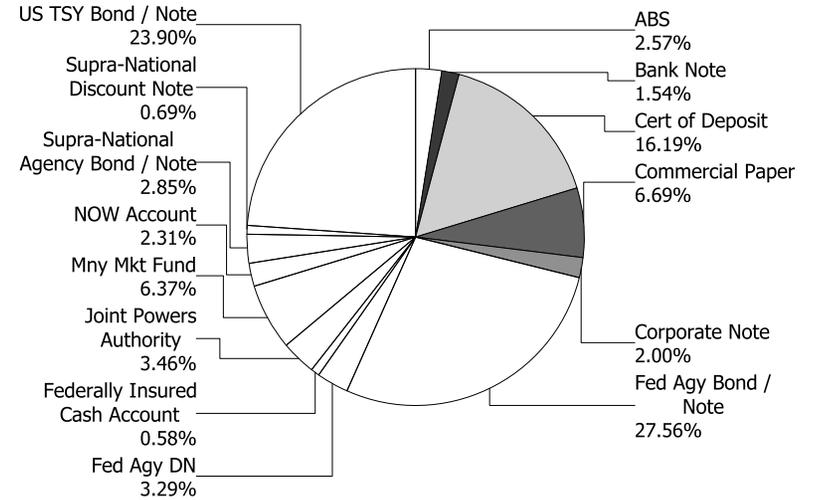
For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

### Account Summary

Description	Par Value	Market Value	Percent
U.S. Treasury Bond / Note	2,000,000,000.00	2,068,421,865.00	23.90
Supra-National Discount Note	60,000,000.00	59,999,580.00	0.69
Supra-National Agency Bond / Note	240,000,000.00	247,117,030.00	2.85
NOW Account	200,000,000.00	200,000,000.00	2.31
Money Market Mutual Fund	552,000,000.00	552,000,000.00	6.37
Joint Powers Authority	300,000,000.00	300,000,000.00	3.46
Federally Insured Cash Account	50,000,000.00	50,000,000.00	0.58
Federal Agency Discount Note	285,000,000.00	284,872,134.15	3.29
Federal Agency Bond / Note	2,324,335,000.00	2,385,921,130.83	27.56
Corporate Note	170,590,000.00	173,457,622.78	2.00
Commercial Paper	580,000,000.00	579,502,300.00	6.69
Certificate of Deposit	1,400,000,000.00	1,401,999,967.58	16.19
Bank Note	131,470,000.00	133,226,440.16	1.54
Asset-Backed Security	219,559,748.64	222,766,544.23	2.57
<b>Managed Account Sub-Total</b>	<b>8,512,954,748.64</b>	<b>8,659,284,614.73</b>	<b>100.00%</b>
Accrued Interest		28,240,426.80	
<b>Total Portfolio</b>	<b>8,512,954,748.64</b>	<b>8,687,525,041.53</b>	

### Sector Allocation



**Unsettled Trades** **0.00** **0.00**

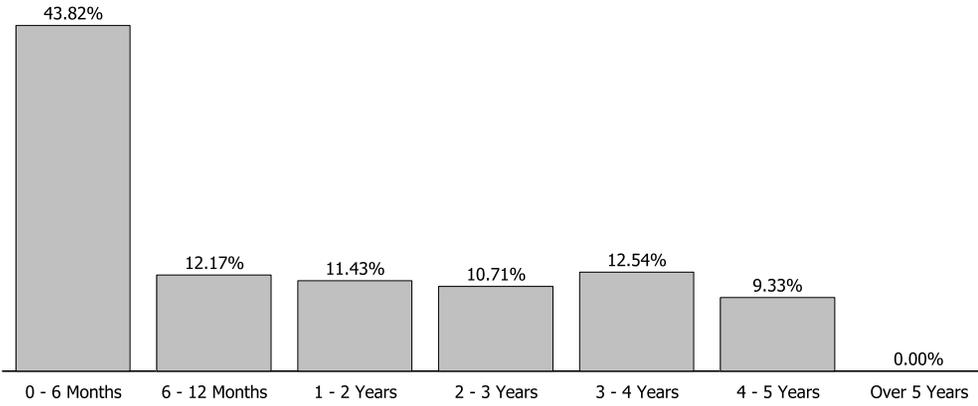


## Portfolio Summary and Statistics

For the Month Ending **May 31, 2020**

SAN BERNARDINO COUNTY - 76990800

### Maturity Distribution



### Characteristics

Yield to Maturity at Cost	1.49%
Yield to Maturity at Market	0.36%
Weighted Average Days to Maturity	536



## Managed Account Issuer Summary

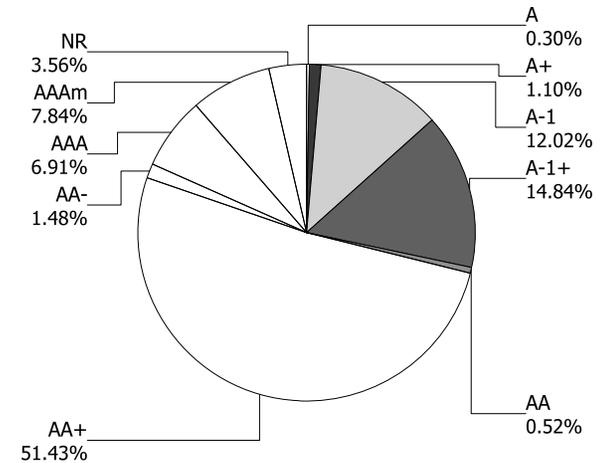
For the Month Ending **May 31, 2020**

SAN BERNARDINO COUNTY - 76990800

### Issuer Summary

Issuer	Market Value of Holdings	Percent
3M COMPANY	17,383,169.00	0.20
BANK OF AMERICA CO	60,325,722.55	0.70
BANK OF MONTREAL	50,100,081.75	0.58
BANK OF NOVA SCOTIA	175,319,107.05	2.02
BANK OF THE WEST	200,000,000.00	2.31
BNP PARIBAS	39,979,120.00	0.46
CAMP	300,000,000.00	3.46
CHASE ISSURANCE	18,527,067.80	0.21
CREDIT AGRICOLE SA	49,978,550.00	0.58
DEERE & COMPANY	20,500,995.00	0.24
EXXON MOBIL CORP	57,499,440.68	0.66
FANNIE MAE	860,132,060.00	9.94
FEDERAL FARM CREDIT BANKS	442,869,552.23	5.11
FEDERAL HOME LOAN BANKS	863,882,652.75	9.99
FEDERATED GOVT OBLIGATIONS FUNDS	379,000,000.00	4.38
FIDELITY TREASURY MF	173,000,000.00	2.00
FREDDIE MAC	503,909,000.00	5.82
HONDA AUTO RECEIVABLES	69,066,966.42	0.80
HYUNDAI AUTO RECEIVABLES	6,335,105.25	0.07
INTER-AMERICAN DEVELOPMENT BANK	124,769,205.00	1.44
INTERNATIONAL FINANCE CORPORATION	25,313,450.00	0.29
INTL BANK OF RECONSTRUCTION AND DEV	157,033,955.00	1.81
JOHN DEERE OWNER TRUST	22,365,539.85	0.26
JOHNSON & JOHNSON	3,014,874.00	0.03
JP MORGAN CHASE & CO	174,785,425.00	2.02
MERCEDES-BENZ AUTO LEASE TRUST	13,368,850.78	0.15
MERCEDES-BENZ AUTO RECEIVABLES	12,938,969.76	0.15
MICROSOFT CORP	9,935,102.80	0.11
NATIXIS NY BRANCH	99,984,300.00	1.15
NORDEA BANK AB	174,979,766.75	2.02
RABOBANK NEDERLAND	174,899,289.70	2.02
ROYAL BANK OF CANADA	250,437,077.30	2.89

### Credit Quality (S&P Ratings)





### Managed Account Issuer Summary

For the Month Ending **May 31, 2020**

SAN BERNARDINO COUNTY - 76990800

<b>Issuer</b>	<b>Market Value of Holdings</b>	<b>Percent</b>
STONECASTLE FICA	50,000,000.00	0.58
SVENSKA HANDELSBANKEN AB	100,392,715.10	1.16
SWEDBANK AB	175,146,036.60	2.02
THE BANK OF NEW YORK MELLON CORPORATION	5,155,910.00	0.06
TORONTO-DOMINION BANK	250,174,587.85	2.89
TOYOTA MOTOR CORP	155,471,245.37	1.80
UNITED STATES TREASURY	2,068,421,865.00	23.90
US BANCORP	198,611,968.50	2.29
VISA INC	4,588,338.30	0.05
WAL-MART STORES INC	27,501,737.00	0.32
WELLS FARGO & COMPANY	92,185,814.59	1.06
<b>Total</b>	<b>\$8,659,284,614.73</b>	<b>100.00%</b>



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 07/01/2013 1.875% 06/30/2020	912828VJ6	50,000,000.00	AA+	Aaa	03/28/18	03/29/18	49,511,718.75	2.32	394,059.07	49,982,815.34	50,062,500.00
US TREASURY NOTES DTD 07/01/2013 1.875% 06/30/2020	912828VJ6	50,000,000.00	AA+	Aaa	04/25/18	04/26/18	49,298,828.13	2.54	394,059.07	49,974,454.79	50,062,500.00
US TREASURY NOTES DTD 06/30/2015 1.625% 06/30/2020	912828XH8	50,000,000.00	AA+	Aaa	07/01/19	07/02/19	49,828,125.00	1.98	341,517.86	49,986,306.66	50,046,875.00
US TREASURY NOTES DTD 06/30/2015 1.625% 06/30/2020	912828XH8	100,000,000.00	AA+	Aaa	07/29/19	07/30/19	99,632,812.50	2.03	683,035.71	99,968,308.22	100,093,750.00
US TREASURY NOTES DTD 07/31/2013 2.000% 07/31/2020	912828VP2	50,000,000.00	AA+	Aaa	04/25/18	04/26/18	49,404,296.88	2.54	335,164.84	49,956,780.91	50,148,440.00
US TREASURY NOTES DTD 08/16/2010 2.625% 08/15/2020	912828NT3	25,000,000.00	AA+	Aaa	12/20/16	12/21/16	25,721,679.69	1.80	192,908.65	25,040,604.63	25,121,095.00
UNITED STATES TREASURY NOTES DTD 08/31/2018 2.625% 08/31/2020	9128284Y3	50,000,000.00	AA+	Aaa	12/18/18	12/20/18	49,968,750.00	2.66	331,691.58	49,995,413.31	50,296,875.00
US TREASURY NOTES DTD 09/30/2015 1.375% 09/30/2020	912828L65	50,000,000.00	AA+	Aaa	12/18/18	12/20/18	48,888,671.88	2.66	116,461.75	49,793,122.00	50,195,310.00
US TREASURY NOTES DTD 10/31/2013 1.750% 10/31/2020	912828WC0	50,000,000.00	AA+	Aaa	10/25/17	10/26/17	49,996,093.75	1.75	76,086.96	49,999,460.72	50,320,310.00
US TREASURY NOTES DTD 11/30/2015 1.625% 11/30/2020	912828M98	25,000,000.00	AA+	Aaa	12/20/16	12/21/16	24,755,859.38	1.88	1,109.97	24,969,143.34	25,179,687.50
US TREASURY N/B NOTES DTD 02/15/2018 2.250% 02/15/2021	9128283X6	50,000,000.00	AA+	Aaa	03/14/19	03/18/19	49,787,109.38	2.48	330,700.55	49,921,230.47	50,726,560.00
US TREASURY N/B NOTES DTD 02/15/2018 2.250% 02/15/2021	9128283X6	75,000,000.00	AA+	Aaa	03/25/19	03/26/19	74,923,828.13	2.30	496,050.82	74,971,490.59	76,089,840.00
US TREASURY NOTES DTD 02/29/2016 1.125% 02/28/2021	912828P87	25,000,000.00	AA+	Aaa	11/29/17	11/30/17	24,374,023.44	1.92	71,076.77	24,856,437.08	25,175,780.00
US TREASURY NOTES DTD 05/31/2016 1.375% 05/31/2021	912828R77	25,000,000.00	AA+	Aaa	12/20/16	12/21/16	24,334,960.94	2.00	939.21	24,850,755.72	25,289,062.50



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 05/31/2014 2.000% 05/31/2021	912828WN6	50,000,000.00	AA+	Aaa	12/02/16	12/05/16	50,447,265.63	1.79	2,732.24	50,099,392.36	50,890,625.00
US TREASURY NOTES DTD 07/31/2014 2.250% 07/31/2021	912828WY2	100,000,000.00	AA+	Aaa	04/29/19	04/30/19	99,925,781.25	2.28	754,120.88	99,961,673.18	102,375,000.00
US TREASURY NOTES DTD 09/30/2016 1.125% 09/30/2021	912828T34	25,000,000.00	AA+	Aaa	11/29/17	11/30/17	24,198,242.19	2.00	47,643.44	24,721,675.50	25,308,595.00
US TREASURY NOTES DTD 12/01/2014 1.875% 11/30/2021	912828G53	25,000,000.00	AA+	Aaa	12/20/16	12/21/16	24,734,375.00	2.10	1,280.74	24,919,503.12	25,636,720.00
US TREASURY NOTES DTD 02/02/2015 1.500% 01/31/2022	912828H86	50,000,000.00	AA+	Aaa	02/15/17	02/16/17	48,779,296.88	2.02	251,373.63	49,589,277.24	51,093,750.00
US TREASURY N/B NOTES DTD 02/28/2017 1.875% 02/28/2022	912828W55	25,000,000.00	AA+	Aaa	11/29/17	11/30/17	24,823,242.19	2.05	118,461.28	24,927,405.08	25,738,280.00
US TREASURY NOTES DTD 07/31/2017 1.875% 07/31/2022	912828P4	100,000,000.00	AA+	Aaa	04/29/19	04/30/19	98,746,093.75	2.28	628,434.07	99,166,173.45	103,656,250.00
US TREASURY N/B NOTES DTD 11/02/2015 1.875% 10/31/2022	912828M49	25,000,000.00	AA+	Aaa	11/29/17	11/30/17	24,739,257.81	2.10	40,760.87	24,871,951.78	26,023,437.50
US TREASURY N/B NOTES DTD 05/31/2016 1.625% 05/31/2023	912828R69	50,000,000.00	AA+	Aaa	04/05/19	04/08/19	48,658,203.13	2.31	2,219.95	49,030,432.12	52,132,810.00
US TREASURY NOTES DTD 06/30/2016 1.375% 06/30/2023	912828S35	25,000,000.00	AA+	Aaa	11/08/19	11/12/19	24,701,171.88	1.72	144,488.32	24,746,694.72	25,898,437.50
US TREASURY NOTES DTD 06/30/2016 1.375% 06/30/2023	912828S35	50,000,000.00	AA+	Aaa	04/03/19	04/04/19	48,123,046.88	2.31	288,976.65	48,637,147.73	51,796,875.00
US TREASURY N/B NOTES DTD 07/02/2018 2.625% 06/30/2023	9128284U1	50,000,000.00	AA+	Aaa	04/05/19	04/08/19	50,634,765.63	2.31	551,682.69	50,462,096.22	53,703,125.00
US TREASURY NOTES DTD 06/30/2016 1.375% 06/30/2023	912828S35	100,000,000.00	AA+	Aaa	04/15/19	04/16/19	96,035,156.25	2.37	577,953.30	97,098,642.99	103,593,750.00
US TREASURY NOTES DTD 08/01/2016 1.250% 07/31/2023	912828S92	100,000,000.00	AA+	Aaa	03/27/19	03/28/19	96,265,625.00	2.15	418,956.04	97,280,452.00	103,296,880.00



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description</b> <b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 08/31/2016 1.375% 08/31/2023	9128282D1	100,000,000.00	AA+	Aaa	03/28/19	03/29/19	96,562,500.00	2.20	347,486.41	97,477,181.31	103,765,620.00
US TREASURY NOTES DTD 05/15/2014 2.500% 05/15/2024	912828WJ5	50,000,000.00	AA+	Aaa	09/30/19	10/01/19	52,062,500.00	1.57	57,744.57	51,764,366.11	54,421,875.00
US TREASURY NOTES DTD 05/15/2014 2.500% 05/15/2024	912828WJ5	50,000,000.00	AA+	Aaa	12/23/19	12/26/19	51,611,328.13	1.73	57,744.57	51,452,408.13	54,421,875.00
US TREASURY N/B NOTES DTD 06/30/2017 2.000% 06/30/2024	912828XX3	50,000,000.00	AA+	Aaa	09/25/19	09/26/19	50,886,718.75	1.61	420,329.67	50,759,753.27	53,531,250.00
US TREASURY N/B NOTES DTD 06/30/2017 2.000% 06/30/2024	912828XX3	50,000,000.00	AA+	Aaa	10/31/19	11/01/19	51,017,578.13	1.55	420,329.67	50,890,306.17	53,531,250.00
US TREASURY N/B NOTES DTD 06/30/2017 2.000% 06/30/2024	912828XX3	50,000,000.00	AA+	Aaa	11/01/19	11/04/19	50,935,546.88	1.58	420,329.67	50,819,979.32	53,531,250.00
UNITED STATES TREASURY NOTES DTD 06/30/2019 1.750% 06/30/2024	9128286Z8	50,000,000.00	AA+	Aaa	12/11/19	12/12/19	50,173,828.13	1.67	367,788.46	50,155,838.70	53,031,250.00
US TREASURY N/B DTD 07/31/2017 2.125% 07/31/2024	9128282N9	50,000,000.00	AA+	Aaa	10/10/19	10/11/19	51,474,609.38	1.49	356,112.64	51,277,994.80	53,859,375.00
US TREASURY N/B DTD 02/17/2015 2.000% 02/15/2025	912828J27	50,000,000.00	AA+	Aaa	12/19/19	12/20/19	50,576,171.88	1.77	293,956.04	50,526,016.79	53,960,940.00
US TREASURY NOTES DTD 05/15/2015 2.125% 05/15/2025	912828XB1	50,000,000.00	AA+	Aaa	12/09/19	12/10/19	51,109,375.00	1.70	49,082.88	51,012,031.96	54,414,060.00
<b>Security Type Sub-Total</b>		<b>2,000,000,000.00</b>					<b>1,987,648,437.60</b>	<b>2.07</b>	<b>10,384,851.49</b>	<b>1,995,914,717.83</b>	<b>2,068,421,865.00</b>
<b>Supra-National Discount Note</b>											
INTL BANK OF RECON AND DEV DISC NOTE DTD 06/03/2019 0.000% 06/01/2020	459052XP6	60,000,000.00	A-1+	P-1	06/05/19	06/05/19	58,763,166.67	2.09	0.00	60,000,000.00	59,999,580.00
<b>Security Type Sub-Total</b>		<b>60,000,000.00</b>					<b>58,763,166.67</b>	<b>2.09</b>	<b>0.00</b>	<b>60,000,000.00</b>	<b>59,999,580.00</b>
<b>Supra-National Agency Bond / Note</b>											



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description</b>	<b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Supra-National Agency Bond / Note</b>												
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 08/29/2017 1.626% 09/04/2020		459058GA5	25,000,000.00	AAA	Aaa	08/22/17	08/29/17	24,994,750.00	1.63	98,237.50	24,999,547.41	25,082,075.00
INTERNATIONAL FINANCE CORPORATION NOTE DTD 01/25/2018 2.250% 01/25/2021		45950KCM0	25,000,000.00	AAA	Aaa	01/18/18	01/25/18	24,926,500.00	2.35	196,875.00	24,984,039.23	25,313,450.00
INTER-AMERICAN DEVELOPMENT BANK NOTE DTD 04/19/2018 2.625% 04/19/2021		4581X0DB1	50,000,000.00	AAA	Aaa	04/12/18	04/19/18	49,890,000.00	2.70	153,125.00	49,967,682.48	51,020,300.00
INTL BANK OF RECONSTRUCTION AND DEV NOTE DTD 07/25/2018 2.750% 07/23/2021		459058GH0	50,000,000.00	AAA	Aaa	07/18/18	07/25/18	49,883,000.00	2.83	488,888.89	49,955,403.11	51,397,100.00
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 12/13/2017 2.125% 12/13/2021		459058GF4	20,000,000.00	AAA	Aaa	12/12/17	12/13/17	19,955,000.00	2.18	198,333.33	19,982,751.54	20,555,200.00
INTER-AMERICAN DEVELOPMENT BANK NOTE DTD 09/26/2018 3.000% 09/26/2022		4581X0DD7	25,000,000.00	AAA	Aaa	09/20/18	09/26/18	24,944,000.00	3.06	135,416.67	24,967,534.57	26,500,875.00
INTER-AMERICAN DEVEL BK CORPORATE NOTES DTD 04/24/2020 0.500% 05/24/2023		4581X0DM7	20,000,000.00	AAA	Aaa	04/17/20	04/24/20	19,993,200.00	0.51	1,944.44	19,993,429.69	20,080,480.00
INTER-AMERICAN DEVELOPMENT BANK NOTE DTD 10/04/2013 3.000% 10/04/2023		4581X0CC0	25,000,000.00	AAA	Aaa	03/14/19	03/21/19	25,480,000.00	2.55	118,750.00	25,353,196.62	27,167,550.00
<b>Security Type Sub-Total</b>			<b>240,000,000.00</b>					<b>240,066,450.00</b>	<b>2.39</b>	<b>1,391,570.83</b>	<b>240,203,584.65</b>	<b>247,117,030.00</b>
<b>NOW Account</b>												
BANK OF THE WEST MONEY MARKET FUND		BKOFWEST7	75,000,000.00	NR	NR	03/26/20	03/26/20	75,000,000.00	0.35	0.00	75,000,000.00	75,000,000.00
BANK OF THE WEST MONEY MARKET FUND		BKOFWEST7	125,000,000.00	NR	NR	08/30/19	08/30/19	125,000,000.00	0.35	0.00	125,000,000.00	125,000,000.00



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Security Type Sub-Total</b>		<b>200,000,000.00</b>					<b>200,000,000.00</b>	<b>0.35</b>	<b>0.00</b>	<b>200,000,000.00</b>	<b>200,000,000.00</b>
<b>Money Market Mutual Fund</b>											
FIDELITY GOV'T MM FUND 2642	31607A703	173,000,000.00	AAA	AAA	05/27/20	05/27/20	173,000,000.00	0.08	0.00	173,000,000.00	173,000,000.00
FEDERATED GOVT OBLIGATIONS FUND	608919718	379,000,000.00	AAAm	NR	05/27/20	05/27/20	379,000,000.00	0.09	0.00	379,000,000.00	379,000,000.00
<b>Security Type Sub-Total</b>		<b>552,000,000.00</b>					<b>552,000,000.00</b>	<b>0.09</b>	<b>0.00</b>	<b>552,000,000.00</b>	<b>552,000,000.00</b>
<b>Joint Powers Authority</b>											
CALIFORNIA ASSET MANAGEMENT PROGRAM	CAMPMF025	18,000,000.00	AAAm	NR	05/21/20	05/21/20	18,000,000.00	0.56	0.00	18,000,000.00	18,000,000.00
CALIFORNIA ASSET MANAGEMENT PROGRAM	CAMPMF025	36,000,000.00	AAAm	NR	10/17/19	10/17/19	36,000,000.00	0.56	0.00	36,000,000.00	36,000,000.00
CALIFORNIA ASSET MANAGEMENT PROGRAM	CAMPMF025	46,000,000.00	AAAm	NR	10/21/19	10/21/19	46,000,000.00	0.56	0.00	46,000,000.00	46,000,000.00
CALIFORNIA ASSET MANAGEMENT PROGRAM	CAMPMF025	200,000,000.00	AAAm	NR	08/30/19	08/30/19	200,000,000.00	0.56	0.00	200,000,000.00	200,000,000.00
<b>Security Type Sub-Total</b>		<b>300,000,000.00</b>					<b>300,000,000.00</b>	<b>0.56</b>	<b>0.00</b>	<b>300,000,000.00</b>	<b>300,000,000.00</b>
<b>Federally Insured Cash Account</b>											
STONECASTLE FICA	FICAMF003	50,000,000.00	NR	NR	08/30/19	08/30/19	50,000,000.00	0.25	0.00	50,000,000.00	50,000,000.00
<b>Security Type Sub-Total</b>		<b>50,000,000.00</b>					<b>50,000,000.00</b>	<b>0.25</b>	<b>0.00</b>	<b>50,000,000.00</b>	<b>50,000,000.00</b>
<b>Federal Agency Discount Note</b>											
FEDERAL HOME LOAN BANKS DISC NOTE DTD 07/01/2019 0.000% 07/01/2020	313384YV5	50,000,000.00	A-1+	P-1	07/17/19	07/17/19	49,056,944.44	1.98	0.00	49,919,166.67	49,971,141.65
FHLB DISC NOTE DTD 07/15/2019 0.000% 07/15/2020	313384ZK8	75,000,000.00	A-1+	P-1	02/03/20	02/04/20	74,476,875.00	1.56	0.00	74,857,916.67	74,938,312.50
FEDERAL HOME LOAN BANKS DISC NOTE -- 0.000% 08/03/2020	313384A66	100,000,000.00	A-1+	P-1	01/23/20	01/23/20	99,174,388.89	1.55	0.00	99,730,500.00	99,977,200.00



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Federal Agency Discount Note</b>											
FEDERAL HOME LOAN BANKS DISC NOTE -- 0.000% 08/07/2020	313384B24	60,000,000.00	A-1+	P-1	01/30/20	01/31/20	59,511,750.00	1.56	0.00	59,826,916.67	59,985,480.00
<b>Security Type Sub-Total</b>		<b>285,000,000.00</b>					<b>282,219,958.33</b>	<b>1.63</b>	<b>0.00</b>	<b>284,334,500.01</b>	<b>284,872,134.15</b>

<b>Federal Agency Bond / Note</b>											
FNMA NOTES DTD 08/01/2017 1.500% 07/30/2020	3135G0T60	75,000,000.00	AA+	Aaa	07/28/17	08/01/17	74,772,750.00	1.60	378,125.00	74,987,744.29	75,165,300.00
FHLB NOTES DTD 03/14/2018 2.400% 09/14/2020	3130ADT93	10,000,000.00	AA+	Aaa	03/08/18	03/14/18	9,993,783.00	2.43	51,333.33	9,999,286.57	10,063,920.00
FHLB NOTES DTD 09/08/2017 1.375% 09/28/2020	3130ACE26	40,000,000.00	AA+	Aaa	09/07/17	09/08/17	39,871,600.00	1.48	96,250.00	39,986,308.60	40,157,280.00
FEDERAL HOME LOAN BANKS NOTES DTD 09/07/2018 2.625% 10/01/2020	3130AEWA4	75,000,000.00	AA+	Aaa	09/06/18	09/07/18	74,838,750.00	2.73	328,125.00	74,973,943.71	75,614,700.00
FANNIE MAE NOTES DTD 11/01/2018 2.875% 10/30/2020	3135G0U84	50,000,000.00	AA+	Aaa	10/30/18	11/01/18	49,971,000.00	2.91	123,784.72	49,993,993.14	50,560,550.00
FHLMC NOTES DTD 11/15/2017 1.875% 11/17/2020	3137EAEK1	50,000,000.00	AA+	Aaa	11/14/17	11/15/17	49,952,000.00	1.91	36,458.33	49,992,612.02	50,392,800.00
FREDDIE MAC NOTES DTD 02/16/2018 2.375% 02/16/2021	3137EAEI9	50,000,000.00	AA+	Aaa	02/15/18	02/16/18	49,868,000.00	2.47	346,354.17	49,968,686.13	50,775,250.00
FANNIE MAE NOTES DTD 04/13/2018 2.500% 04/13/2021	3135G0U27	50,000,000.00	AA+	Aaa	04/12/18	04/13/18	49,925,500.00	2.55	166,666.67	49,978,520.07	51,002,500.00
FEDERAL FARM CREDIT BANK NOTES DTD 11/26/2018 2.875% 05/26/2021	3133EJW70	25,000,000.00	AA+	Aaa	11/26/18	11/27/18	24,955,750.00	2.95	9,982.64	24,982,562.29	25,662,625.00
FEDERAL FARM CREDIT BANK NOTES DTD 11/26/2018 2.875% 05/26/2021	3133EJW70	50,000,000.00	AA+	Aaa	11/20/18	11/26/18	49,966,000.00	2.90	19,965.28	49,986,616.23	51,325,250.00
FANNIE MAE NOTES DTD 06/25/2018 2.750% 06/22/2021	3135G0U35	75,000,000.00	AA+	Aaa	06/22/18	06/25/18	74,982,750.00	2.76	910,937.50	74,993,908.05	77,026,125.00
FHLB NOTES DTD 03/05/2012 2.375% 09/10/2021	313378JP7	20,000,000.00	AA+	Aaa	08/29/19	08/30/19	20,321,600.00	1.57	106,875.00	20,201,975.20	20,551,960.00



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Federal Agency Bond / Note</b>											
FEDERAL HOME LOAN BANKS NOTES DTD 10/12/2018 3.000% 10/12/2021	3130AF5B9	50,000,000.00	AA+	Aaa	10/11/18	10/12/18	49,967,500.00	3.02	204,166.67	49,985,232.66	51,894,400.00
FEDERAL HOME LOAN BANKS NOTES DTD 11/08/2019 1.625% 11/19/2021	3130AHJY0	30,000,000.00	AA+	Aaa	11/07/19	11/08/19	29,948,700.00	1.71	16,250.00	29,962,942.32	30,618,480.00
FEDERAL HOME LOAN BANKS NOTES DTD 12/20/2019 1.625% 12/20/2021	3130AHSR5	22,500,000.00	AA+	Aaa	12/19/19	12/20/19	22,475,700.00	1.68	163,515.63	22,481,151.71	22,991,040.00
FANNIE MAE NOTES DTD 01/11/2019 2.625% 01/11/2022	3135G0U92	60,000,000.00	AA+	Aaa	01/09/19	01/11/19	59,956,800.00	2.65	612,500.00	59,976,783.94	62,322,960.00
FEDERAL FARM CREDIT BANK NOTES DTD 01/18/2019 2.600% 01/18/2022	3133EJ5P0	50,000,000.00	AA+	Aaa	01/16/19	01/18/19	49,957,500.00	2.63	480,277.78	49,976,888.69	51,938,800.00
FANNIE MAE NOTES DTD 04/12/2019 2.250% 04/12/2022	3135G0V59	75,000,000.00	AA+	Aaa	04/11/19	04/12/19	74,754,000.00	2.36	229,687.50	74,847,372.26	77,806,950.00
FEDERAL FARM CREDIT BANK NOTES DTD 05/06/2020 0.250% 05/06/2022	3133ELYR9	100,000,000.00	AA+	Aaa	04/30/20	05/06/20	99,873,000.00	0.31	17,361.11	99,877,523.29	100,007,000.00
FEDERAL HOME LOAN BANK DTD 06/01/2012 2.125% 06/10/2022	313379Q69	25,000,000.00	AA+	Aaa	07/15/19	07/16/19	25,156,500.00	1.90	252,343.75	25,109,107.08	25,942,950.00
FFCB NOTES DTD 12/16/2019 1.630% 06/15/2022	3133ELDK7	40,000,000.00	AA+	Aaa	12/04/19	12/16/19	39,997,880.80	1.63	298,833.33	39,998,271.18	41,116,640.00
FANNIE MAE NOTES DTD 09/06/2019 1.375% 09/06/2022	3135G0W33	75,000,000.00	AA+	Aaa	09/05/19	09/06/19	74,739,000.00	1.49	243,489.58	74,803,059.31	76,892,550.00
FEDERAL HOME LOAN BANKS NOTES DTD 08/13/2012 2.000% 09/09/2022	313380GJ0	10,000,000.00	AA+	Aaa	08/28/19	08/29/19	10,150,500.00	1.49	45,555.56	10,112,841.01	10,394,780.00
FEDERAL HOME LOAN BANK NOTES (CALLABLE) DTD 10/26/2018 3.210% 10/26/2022	3130AFAJ6	25,000,000.00	AA+	Aaa	10/17/18	10/26/18	25,000,000.00	3.21	78,020.83	25,000,000.00	25,291,175.00
FEDERAL FARM CREDIT BANK NOTES(CALLABLE) DTD 01/24/2020 1.640% 01/24/2023	3133ELJN5	10,000,000.00	AA+	Aaa	01/23/20	01/24/20	9,995,000.00	1.66	57,855.56	9,995,588.50	10,205,110.00



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Federal Agency Bond / Note</b>											
FEDERAL FARM CREDIT BANK NOTES(CALLABLE) DTD 01/24/2020 1.640% 01/24/2023	3133ELJN5	20,000,000.00	AA+	Aaa	01/23/20	01/24/20	19,990,000.00	1.66	115,711.11	19,991,177.01	20,410,220.00
FEDERAL FARM CREDIT BANK NOTES(CALLABLE) DTD 01/24/2020 1.640% 01/24/2023	3133ELJN5	20,000,000.00	AA+	Aaa	01/23/20	01/24/20	19,990,000.00	1.66	115,711.11	19,991,177.01	20,410,220.00
FEDERAL HOME LOAN BANKS NOTES DTD 02/21/2020 1.375% 02/17/2023	3130AJ7E3	50,000,000.00	AA+	Aaa	02/20/20	02/21/20	49,908,000.00	1.44	190,972.22	49,916,509.16	51,472,150.00
FEDERAL HOME LOAN BANKS NOTES DTD 03/01/2018 2.750% 03/10/2023	3130ADRG9	10,000,000.00	AA+	Aaa	01/07/19	01/09/19	10,042,680.00	2.64	61,875.00	10,028,397.21	10,678,250.00
FREDDIE MAC NOTES DTD 04/20/2020 0.375% 04/20/2023	3137EAEQ8	50,000,000.00	AA+	Aaa	04/17/20	04/20/20	49,875,000.00	0.46	21,354.17	49,879,794.52	50,101,900.00
FREDDIE MAC NOTES (CALLABLE) DTD 05/04/2020 0.450% 05/04/2023	3134GVRD2	50,000,000.00	AA+	Aaa	05/01/20	05/04/20	50,000,000.00	0.45	16,875.00	50,000,000.00	50,030,200.00
FREDDIE MAC NOTES DTD 05/07/2020 0.375% 05/05/2023	3137EAER6	100,000,000.00	AA+	Aaa	05/05/20	05/07/20	99,958,000.00	0.39	25,000.00	99,958,960.66	100,206,800.00
FANNIE MAE NOTES DTD 05/22/2020 0.250% 05/22/2023	3135G04Q3	100,000,000.00	AA+	Aaa	05/20/20	05/22/20	99,699,000.00	0.35	6,250.00	99,701,748.86	99,840,200.00
FEDERAL FARM CREDIT BANKS NOTES DTD 08/14/2019 1.600% 08/14/2023	3133EKZK5	10,000,000.00	AA+	Aaa	08/28/19	08/29/19	10,047,100.00	1.48	47,555.56	10,038,077.39	10,412,740.00
FANNIE MAE NOTES DTD 02/08/2019 2.500% 02/05/2024	3135G0V34	100,000,000.00	AA+	Aaa	02/07/19	02/08/19	99,628,000.00	2.58	805,555.56	99,725,744.38	107,758,000.00
FHLB BONDS DTD 02/15/2019 2.500% 02/13/2024	3130AFW94	50,000,000.00	AA+	Aaa	02/14/19	02/15/19	49,823,000.00	2.58	375,000.00	49,868,802.63	53,902,250.00
FFCB (CALLABLE) NOTES DTD 03/12/2020 1.050% 03/12/2024	3133ELSL9	30,995,000.00	AA+	Aaa	03/06/20	03/12/20	30,995,000.00	1.05	71,417.65	30,995,000.00	31,105,187.23
FFCB (CALLABLE) NOTES DTD 03/12/2020 1.050% 03/12/2024	3133ELSL9	50,000,000.00	AA+	Aaa	03/06/20	03/12/20	50,000,000.00	1.05	115,208.33	50,000,000.00	50,177,750.00



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description</b>	<b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Federal Agency Bond / Note</b>												
FEDERAL FARM CREDIT BANK NOTES(CALLABLE) DTD 04/22/2020 0.800% 04/22/2024		3133ELXC3	10,000,000.00	AA+	Aaa	04/16/20	04/22/20	10,000,000.00	0.80	8,666.67	10,000,000.00	10,032,670.00
FEDERAL FARM CREDIT BANK NOTES(CALLABLE) DTD 04/22/2020 0.800% 04/22/2024		3133ELXC3	10,000,000.00	AA+	Aaa	04/16/20	04/22/20	10,000,000.00	0.80	8,666.67	10,000,000.00	10,032,670.00
FEDERAL FARM CREDIT BANK NOTES(CALLABLE) DTD 04/22/2020 0.800% 04/22/2024		3133ELXC3	10,000,000.00	AA+	Aaa	04/16/20	04/22/20	10,000,000.00	0.80	8,666.67	10,000,000.00	10,032,670.00
FHLMC (CALLABLE) NOTES DTD 04/29/2020 0.570% 04/29/2024		3134GVPP7	25,000,000.00	AA+	Aaa	04/27/20	04/29/20	25,000,000.00	0.57	12,666.67	25,000,000.00	25,043,325.00
FHLMC (CALLABLE) NOTES DTD 05/20/2020 0.560% 05/20/2024		3134GVTN8	25,000,000.00	AA+	Aaa	05/12/20	05/20/20	24,990,000.00	0.57	4,277.78	24,990,082.14	25,019,425.00
FHLMC (CALLABLE) NOTES DTD 05/20/2020 0.510% 05/20/2024		3134GVUY2	25,000,000.00	AA+	Aaa	05/12/20	05/20/20	25,000,000.00	0.51	3,895.83	25,000,000.00	25,003,525.00
FHLMC (CALLABLE) NOTES DTD 05/20/2020 0.590% 05/20/2024		3134GVXD5	25,000,000.00	AA+	Aaa	05/18/20	05/20/20	25,000,000.00	0.59	4,506.94	25,000,000.00	25,010,700.00
FHLMC (CALLABLE) NOTES DTD 05/20/2020 0.500% 05/20/2024		3134GVXC7	25,000,000.00	AA+	Aaa	05/18/20	05/20/20	25,000,000.00	0.50	3,819.44	25,000,000.00	24,951,450.00
FANNIE MAE NOTES DTD 07/08/2019 1.750% 07/02/2024		3135G0V75	25,000,000.00	AA+	Aaa	07/08/19	07/09/19	24,781,000.00	1.94	181,076.39	24,820,468.13	26,345,150.00
FEDERAL HOME LOAN BANK NOTES DTD 08/15/2014 2.875% 09/13/2024		3130A2UW4	25,000,000.00	AA+	Aaa	09/23/19	09/24/19	26,450,750.00	1.65	155,729.17	26,250,233.34	27,590,875.00
FEDERAL HOME LOAN BANK NOTES DTD 08/15/2014 2.875% 09/13/2024		3130A2UW4	25,000,000.00	AA+	Aaa	09/25/19	09/26/19	26,433,325.00	1.67	155,729.17	26,236,578.62	27,590,875.00
FANNIE MAE NOTES DTD 10/18/2019 1.625% 10/15/2024		3135G0W66	25,000,000.00	AA+	Aaa	10/17/19	10/18/19	24,957,250.00	1.66	51,909.72	24,962,570.31	26,269,850.00
FEDERAL HOME LOAN BANK NOTES DTD 11/06/2014 2.750% 12/13/2024		3130A3GE8	10,000,000.00	AA+	Aaa	12/04/19	12/05/19	10,515,630.00	1.68	128,333.33	10,465,331.49	11,021,260.00



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Federal Agency Bond / Note</b>											
FEDERAL HOME LOAN BANK NOTES DTD 11/06/2014 2.750% 12/13/2024	3130A3GE8	25,000,000.00	AA+	Aaa	12/03/19	12/05/19	26,384,500.00	1.60	320,833.33	26,249,445.23	27,553,150.00
FEDERAL HOME LOAN BANK NOTES DTD 11/06/2014 2.750% 12/13/2024	3130A3GE8	25,000,000.00	AA+	Aaa	12/04/19	12/05/19	26,287,500.00	1.68	320,833.33	26,161,907.36	27,553,150.00
FANNIE MAE NOTES DTD 01/10/2020 1.625% 01/07/2025	3135G0X24	75,000,000.00	AA+	Aaa	01/08/20	01/10/20	74,760,750.00	1.69	477,343.75	74,779,506.99	78,865,575.00
FREDDIE MAC NOTES DTD 02/14/2020 1.500% 02/12/2025	3137EAEP0	50,000,000.00	AA+	Aaa	02/13/20	02/14/20	49,961,500.00	1.52	222,916.67	49,963,778.36	52,317,250.00
FEDERAL HOME LOAN BANKS NOTES DTD 02/17/2015 2.375% 03/14/2025	3130A4CH3	25,840,000.00	AA+	Aaa	12/05/19	12/06/19	26,658,094.40	1.74	131,263.61	26,582,447.23	28,127,873.60
FANNIE MAE NOTES DTD 04/24/2020 0.625% 04/22/2025	3135G03U5	50,000,000.00	AA+	Aaa	04/22/20	04/24/20	49,897,000.00	0.67	32,118.06	49,899,145.83	50,276,350.00
FHLMC (CALLABLE) NOTES DTD 05/06/2020 0.700% 05/06/2025	3134GVPR3	25,000,000.00	AA+	Aaa	04/27/20	05/06/20	25,000,000.00	0.70	12,152.78	25,000,000.00	25,056,375.00

<b>Security Type Sub-Total</b>		<b>2,324,335,000.00</b>					<b>2,328,424,643.20</b>	<b>1.67</b>	<b>9,488,606.63</b>	<b>2,328,629,802.11</b>	<b>2,385,921,130.83</b>
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<b>Corporate Note</b>											
WAL-MART STORES INC CORP NOTES DTD 06/27/2018 2.850% 06/23/2020	931142EG4	10,000,000.00	AA	Aa2	06/20/18	06/27/18	9,996,900.00	2.87	125,083.33	9,999,682.09	10,016,880.00
JOHNSON & JOHNSON CORP NOTE DTD 11/10/2017 1.950% 11/10/2020	478160CH5	3,000,000.00	AAA	Aaa	11/08/17	11/10/17	2,996,790.00	1.99	3,412.50	2,999,525.53	3,014,874.00
VISA INC (CALLABLE) CORP NOTES DTD 12/14/2015 2.200% 12/14/2020	92826CAB8	4,550,000.00	AA-	Aa3	03/12/20	03/16/20	4,560,374.00	1.89	46,435.28	4,557,152.62	4,588,338.30
EXXON MOBIL CORPORATE (CALLABLE) NOTES DTD 03/03/2016 2.222% 03/01/2021	30231GAV4	5,000,000.00	AA	Aa1	11/26/18	11/28/18	4,887,350.00	3.26	27,775.00	4,961,597.24	5,060,910.00
EXXON MOBIL CORPORATE (CALLABLE) NOTES DTD 03/03/2016 2.222% 03/01/2021	30231GAV4	9,240,000.00	AA	Aa1	03/09/20	03/11/20	9,255,153.60	2.05	51,328.20	9,251,299.21	9,352,561.68



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Corporate Note</b>											
JOHN DEERE CAPITAL CORP CORP NOTES DTD 06/07/2019 2.300% 06/07/2021	24422EUV9	10,000,000.00	A	A2	06/04/19	06/07/19	9,993,200.00	2.34	111,166.67	9,996,548.84	10,149,950.00
WAL-MART STORES INC CORP NOTES DTD 06/27/2018 3.125% 06/23/2021	931142EJ8	7,000,000.00	AA	Aa2	06/20/18	06/27/18	6,999,650.00	3.13	96,006.94	6,999,875.96	7,199,647.00
WAL-MART STORES INC CORP NOTES DTD 06/27/2018 3.125% 06/23/2021	931142EJ8	10,000,000.00	AA	Aa2	06/21/18	06/27/18	10,011,800.00	3.08	137,152.78	10,004,181.87	10,285,210.00
MICROSOFT CORP (CALLABLE) NOTES DTD 08/08/2016 1.550% 08/08/2021	594918BP8	9,800,000.00	AAA	Aaa	05/14/19	05/16/19	9,607,724.00	2.46	47,679.72	9,697,846.00	9,935,102.80
3M COMPANY DTD 09/14/2018 3.000% 09/14/2021	88579YBA8	2,000,000.00	A+	A1	09/11/18	09/14/18	1,995,900.00	3.07	12,833.33	1,998,241.79	2,054,814.00
3M COMPANY CORP (CALLABLE) NOTES DTD 09/19/2016 1.625% 09/19/2021	88579YAU5	10,000,000.00	A+	A1	11/05/18	11/07/18	9,571,200.00	3.20	32,500.00	9,805,463.23	10,163,120.00
TOYOTA MOTOR CREDIT CORP CORP NOTES DTD 10/07/2019 1.800% 10/07/2021	89236TGJ8	15,000,000.00	A+	A1	10/02/19	10/07/19	14,998,200.00	1.81	40,500.00	14,998,786.05	15,177,360.00
TOYOTA MOTOR CREDIT CORP CORP NOTES DTD 03/18/2019 2.850% 02/18/2022	89236TFU4	10,000,000.00	A+	A1	03/13/19	03/18/19	10,000,000.00	2.85	57,791.67	10,000,000.00	10,053,410.00
3M COMPANY BONDS DTD 02/22/2019 2.750% 03/01/2022	88579YBF7	5,000,000.00	A+	A1	02/12/19	02/22/19	4,997,650.00	2.77	34,375.00	4,998,640.71	5,165,235.00
JOHN DEERE CAPITAL CORP DTD 03/07/2019 2.950% 04/01/2022	24422EUT4	5,000,000.00	A	A2	03/04/19	03/07/19	4,997,600.00	2.97	24,583.33	4,998,567.71	5,212,730.00
TOYOTA MOTOR CREDIT CORP DTD 04/12/2019 2.650% 04/12/2022	89236TFX8	10,000,000.00	A+	A1	04/09/19	04/12/19	9,993,700.00	2.67	36,069.44	9,996,091.24	10,337,350.00
US BANK NA CINCINNATI FLOATING CORP NOT DTD 05/23/2019 0.799% 05/23/2022	90331HPD9	10,000,000.00	AA-	A1	05/13/20	05/15/20	9,933,800.00	2.46	1,332.50	9,935,324.93	9,964,380.00
US BANK NA CINCINNATI FLOATING CORP NOT DTD 05/23/2019 0.799% 05/23/2022	90331HPD9	10,000,000.00	AA-	A1	05/14/20	05/18/20	9,932,700.00	2.47	1,332.50	9,933,981.90	9,964,380.00



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description</b>	<b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Corporate Note</b>												
JOHN DEERE CAPITAL CORP CORP NOTES DTD 09/12/2019 1.950% 06/13/2022		24422EVA4	5,000,000.00	A	A2	09/10/19	09/12/19	4,993,550.00	2.00	45,500.00	4,995,237.91	5,138,315.00
EXXON MOBIL CORPORATION DTD 08/16/2019 1.902% 08/16/2022		30231GBB7	3,000,000.00	AA	Aa1	08/13/19	08/16/19	3,000,000.00	1.90	16,642.50	3,000,000.00	3,090,489.00
US BANK NA CINCINNATI DTD 12/09/2019 1.950% 01/09/2023		90331HPF4	12,000,000.00	AA-	A1	12/05/19	12/09/19	11,989,920.00	1.98	111,800.00	11,991,485.22	12,376,656.00
BANK OF NY MELLON CORP DTD 01/28/2020 1.850% 01/27/2023		06406RAM9	5,000,000.00	A	A1	04/23/20	04/27/20	5,072,350.00	1.31	31,604.17	5,069,830.35	5,155,910.00
<b>Security Type Sub-Total</b>			<b>170,590,000.00</b>					<b>169,785,511.60</b>	<b>2.48</b>	<b>1,092,904.86</b>	<b>170,189,360.40</b>	<b>173,457,622.78</b>
<b>Commercial Paper</b>												
TOYOTA MOTOR CREDIT CORP COMM PAPER -- 0.000% 06/03/2020		89233GF35	25,000,000.00	A-1+	P-1	12/04/19	12/05/19	24,769,979.17	1.85	0.00	24,997,458.33	24,998,225.00
EXXON MOBIL CORP COMM PAPER -- 0.000% 06/17/2020		30229AFH7	40,000,000.00	A-1+	P-1	03/10/20	03/11/20	39,896,555.56	0.95	0.00	39,983,111.11	39,995,480.00
NATIXIS NY BRANCH COMM PAPER DTD 10/08/2019 0.000% 07/02/2020		63873JG20	50,000,000.00	A-1	P-1	02/03/20	02/03/20	49,645,833.33	1.71	0.00	49,926,805.55	49,993,050.00
NATIXIS NY BRANCH COMM PAPER DTD 12/11/2019 0.000% 07/08/2020		63873JG87	50,000,000.00	A-1	P-1	02/03/20	02/03/20	49,631,666.67	1.71	0.00	49,912,638.89	49,991,250.00
TOYOTA MOTOR CREDIT CORP COMM PAPER -- 0.000% 08/03/2020		89233GH33	25,000,000.00	A-1+	P-1	11/12/19	11/13/19	24,653,500.00	1.92	0.00	24,917,312.50	24,966,050.00
CREDIT AGRICOLE CIB NY COMM PAPER -- 0.000% 08/03/2020		22533TH33	50,000,000.00	A-1	P-1	12/02/19	12/02/19	49,380,694.44	1.84	0.00	49,840,750.00	49,978,550.00
BNP PARIBAS NY BRANCH COMM PAPER DTD 05/13/2020 0.000% 08/26/2020		09659BHS2	40,000,000.00	A-1	P-1	05/12/20	05/13/20	39,973,166.67	0.23	0.00	39,978,022.22	39,979,120.00
JP MORGAN SECURITIES LLC COMM PAPER DTD 02/26/2020 0.000% 09/01/2020		46640PJ12	50,000,000.00	A-1	P-1	04/27/20	04/28/20	49,930,000.00	0.40	0.00	49,948,888.89	49,966,650.00



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Commercial Paper</b>											
COOPERATIEVE RABOBANK U.A. COMM PAPER DTD 05/08/2020 0.000% 10/02/2020	21687AK28	25,000,000.00	A-1	P-1	05/06/20	05/08/20	24,972,437.50	0.27	0.00	24,976,937.50	24,980,150.00
COOPERATIEVE RABOBANK U.A. COMM PAPER DTD 05/08/2020 0.000% 10/08/2020	21687AK85	25,000,000.00	A-1	P-1	05/06/20	05/08/20	24,971,312.50	0.27	0.00	24,975,812.50	24,978,650.00
COOPERATIEVE RABOBANK U.A. COMM PAPER DTD 05/08/2020 0.000% 10/14/2020	21687AKE2	25,000,000.00	A-1	P-1	05/06/20	05/08/20	24,970,187.50	0.27	0.00	24,974,687.50	24,977,100.00
JP MORGAN SECURITIES LLC COMM PAPER -- 0.000% 11/02/2020	46640PL27	50,000,000.00	A-1	P-1	04/16/20	04/17/20	49,792,708.33	0.75	0.00	49,839,583.33	49,929,800.00
JP MORGAN SECURITIES LLC COMM PAPER -- 0.000% 11/02/2020	46640PL27	50,000,000.00	A-1	P-1	04/27/20	04/28/20	49,869,444.44	0.50	0.00	49,893,055.55	49,929,800.00
JP MORGAN SECURITIES LLC COMM PAPER DTD 05/07/2020 0.000% 11/18/2020	46640PLJ0	25,000,000.00	A-1	P-1	05/06/20	05/07/20	24,952,604.17	0.35	0.00	24,958,680.56	24,959,175.00
COOPERATIEVE RABOBANK U.A. COMM PAPER DTD 05/14/2020 0.000% 02/01/2021	21687AP15	50,000,000.00	A-1	P-1	05/13/20	05/14/20	49,879,458.33	0.33	0.00	49,887,708.33	49,879,250.00
<b>Security Type Sub-Total</b>		<b>580,000,000.00</b>					<b>577,289,548.61</b>	<b>0.92</b>	<b>0.00</b>	<b>579,011,452.76</b>	<b>579,502,300.00</b>
<b>Certificate of Deposit</b>											
SWEDBANK NY CERT DEPOS DTD 12/12/2019 1.850% 06/05/2020	87019VZW0	50,000,000.00	A-1	P-1	12/11/19	12/12/19	50,000,000.00	1.85	441,944.44	50,000,000.00	50,016,122.25
BANK OF NOVA SCOTIA HOUSTON CERT DEPOS DTD 12/13/2019 1.860% 07/01/2020	06417MFV2	25,000,000.00	A-1	P-1	12/12/19	12/13/19	25,000,000.00	1.86	220,875.00	25,000,000.00	25,037,994.90
NORDEA BANK ABP NEW YORK CERT DEPOS DTD 12/13/2019 1.850% 07/01/2020	65558TRN7	25,000,000.00	A-1+	P-1	12/12/19	12/13/19	25,000,000.00	1.85	219,687.50	25,000,000.00	25,037,766.00



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description</b>	<b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Certificate of Deposit</b>												
COOPERATIEVE RABOBANK U.A. CERT DEPOS DTD 06/21/2019 2.040% 07/01/2020		21684XBD7	50,000,000.00	A-1	P-1	06/20/19	06/21/19	50,000,000.00	2.04	980,333.33	50,000,000.00	50,084,139.70
BANK OF NOVA SCOTIA HOUSTON CERT DEPOS DTD 12/05/2019 1.850% 07/01/2020		06417MFP5	50,000,000.00	A-1	P-1	12/05/19	12/05/19	50,000,000.00	1.85	459,930.56	50,000,000.00	50,075,528.25
ROYAL BANK OF CANADA NY CERT DEPOS DTD 12/05/2019 1.810% 07/01/2020		78012URU1	50,000,000.00	A-1+	P-1	12/05/19	12/05/19	50,000,000.00	1.81	449,986.11	50,000,000.00	50,073,697.00
WELLS FARGO BANK NA CERT DEPOS DTD 08/20/2019 1.810% 08/03/2020		95001KCZ5	25,000,000.00	A-1	P-1	08/19/19	08/20/19	25,000,000.00	1.81	359,486.11	25,000,000.00	25,071,770.23
BANK OF NOVA SCOTIA HOUSTON CERT DEPOS DTD 11/19/2019 1.850% 08/03/2020		06417MEY7	50,000,000.00	A-1	P-1	11/18/19	11/19/19	50,000,000.00	1.85	501,041.67	50,000,000.00	50,147,301.40
SVENSKA HANDELSBANKEN NY CERT DEPOS DTD 01/23/2020 1.720% 08/03/2020		86959REY2	50,000,000.00	A-1+	P-1	01/23/20	01/23/20	50,000,000.00	1.72	310,555.56	50,000,000.00	50,135,473.55
BANK OF NOVA SCOTIA HOUSTON CERT DEPOS DTD 04/20/2020 0.800% 08/12/2020		06417MJP1	50,000,000.00	A-1	P-1	04/16/20	04/20/20	50,000,000.00	0.80	46,666.67	50,000,000.00	50,058,282.50
BANK OF MONTREAL CHICAGO CERT DEPOS DTD 03/02/2020 1.080% 09/01/2020		06367BHE2	50,000,000.00	A-1	P-1	03/02/20	03/02/20	50,000,000.00	1.08	136,500.00	50,000,000.00	50,100,081.75
SWEDBANK NY CERT DEPOS DTD 03/02/2020 1.120% 09/01/2020		87019VC54	50,000,000.00	A-1	P-1	03/02/20	03/02/20	50,000,000.00	1.12	141,555.56	50,000,000.00	50,105,350.95
SWEDBANK NY CERT DEPOS DTD 04/24/2020 0.550% 09/08/2020		87019VD61	50,000,000.00	A-1	P-1	04/23/20	04/24/20	50,000,000.00	0.55	29,027.78	50,000,000.00	50,032,529.60
TORONTO DOMINION BANK NY CERT DEPOS DTD 05/08/2020 0.210% 09/09/2020		89114NKP9	50,000,000.00	A-1+	P-1	05/07/20	05/08/20	50,000,000.00	0.21	7,000.00	50,000,000.00	49,984,272.65
BANK OF AMERICA NA CERT DEPOS DTD 04/20/2020 0.900% 10/01/2020		06052TK90	50,000,000.00	A-1	P-1	04/17/20	04/20/20	50,000,000.00	0.90	52,500.00	50,000,000.00	50,100,528.55



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description</b>	<b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Certificate of Deposit</b>												
ROYAL BANK OF CANADA NY CERT DEPOS DTD 04/16/2020 0.980% 10/07/2020		78012UVC6	50,000,000.00	A-1+	P-1	04/15/20	04/16/20	50,000,000.00	0.98	62,611.11	50,000,000.00	50,119,875.55
TORONTO DOMINION BANK NY CERT DEPOS DTD 04/16/2020 0.650% 10/07/2020		89114NJZ9	50,000,000.00	A-1+	P-1	04/15/20	04/16/20	50,000,000.00	0.65	41,527.78	50,000,000.00	50,059,926.65
ROYAL BANK OF CANADA NY CERT DEPOS DTD 04/21/2020 0.980% 10/21/2020		78012UVH5	50,000,000.00	A-1+	P-1	04/20/20	04/21/20	50,000,000.00	0.98	55,805.56	50,000,000.00	50,132,679.00
NORDEA BANK ABP NEW YORK CERT DEPOS DTD 05/06/2020 0.300% 11/04/2020		65558TXX8	50,000,000.00	A-1+	P-1	05/05/20	05/06/20	50,000,000.00	0.30	10,833.33	50,000,000.00	49,995,576.00
NORDEA BANK ABP NEW YORK CERT DEPOS DTD 05/06/2020 0.300% 11/06/2020		65558TXW0	50,000,000.00	A-1+	P-1	05/05/20	05/06/20	50,000,000.00	0.30	10,833.33	50,000,000.00	49,995,520.45
SWEDBANK NY CERT DEPOS DTD 05/07/2020 0.250% 11/09/2020		87019VE52	25,000,000.00	A-1	P-1	05/05/20	05/07/20	25,000,000.00	0.25	4,340.28	25,000,000.00	24,992,033.80
TORONTO DOMINION BANK NY CERT DEPOS DTD 05/13/2020 0.310% 12/16/2020		89114NKW4	50,000,000.00	A-1+	P-1	05/12/20	05/13/20	50,000,000.00	0.31	8,180.56	50,000,000.00	49,974,915.60
US BANK NATL ASSOC CERT DEPOS DTD 05/06/2020 0.280% 01/04/2021		90333V3M0	25,000,000.00	A-1+	P-1	05/05/20	05/06/20	25,000,000.00	0.28	5,055.56	25,000,000.00	24,981,700.45
TORONTO DOMINION BANK NY CERT DEPOS DTD 05/20/2020 0.260% 01/04/2021		89114NKZ7	50,000,000.00	A-1+	P-1	05/19/20	05/20/20	50,000,000.00	0.26	4,333.33	50,000,000.00	49,957,318.60
WELLS FARGO BANK NA CERT DEPOS DTD 01/09/2020 1.800% 02/01/2021		95001KFR0	25,000,000.00	A-1	P-1	01/09/20	01/09/20	25,000,000.00	1.80	180,000.00	25,000,000.00	25,239,964.20
SVENSKA HANDELSBANKEN NY CERT DEPOS DTD 03/03/2020 1.150% 02/01/2021		86959RFR6	50,000,000.00	A-1+	P-1	03/03/20	03/03/20	50,000,000.00	1.15	143,750.00	50,000,000.00	50,257,241.55
US BANK NATL ASSOC CERT DEPOS DTD 05/06/2020 0.320% 02/01/2021		90333V3L2	50,000,000.00	A-1+	P-1	05/05/20	05/06/20	50,000,000.00	0.32	11,555.56	50,000,000.00	49,972,492.05
ROYAL BANK OF CANADA NY CERT DEPOS DTD 03/02/2020 0.980% 03/01/2021		78012UTC9	50,000,000.00	A-1+	P-1	03/02/20	03/02/20	50,000,000.00	0.98	123,861.11	50,000,000.00	50,190,524.70



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Certificate of Deposit</b>											
TORONTO DOMINION BANK NY CERT DEPOS DTD 03/02/2020 1.000% 03/01/2021	89114NH81	50,000,000.00	A-1+	P-1	03/02/20	03/02/20	50,000,000.00	1.00	126,388.89	50,000,000.00	50,198,154.35
ROYAL BANK OF CANADA NY CERT DEPOS DTD 05/20/2020 0.310% 05/03/2021	78012UWD3	50,000,000.00	A-1+	P-1	05/19/20	05/20/20	50,000,000.00	0.31	5,166.67	50,000,000.00	49,920,301.05
NORDEA BANK ABP NEW YORK CERT DEPOS DTD 05/20/2020 0.380% 05/19/2021	65558TYO2	50,000,000.00	A-1+	P-1	05/19/20	05/20/20	50,000,000.00	0.38	6,333.33	50,000,000.00	49,950,904.30
<b>Security Type Sub-Total</b>		<b>1,400,000,000.00</b>					<b>1,400,000,000.00</b>	<b>0.99</b>	<b>5,157,666.69</b>	<b>1,400,000,000.00</b>	<b>1,401,999,967.58</b>

<b>Bank Note</b>											
US BANK NA CINCINNATI CALLABLE BANK NOTE DTD 07/24/2018 3.050% 07/24/2020	90331HNU3	10,000,000.00	AA-	A1	07/20/18	07/24/18	9,995,200.00	3.07	107,597.22	9,999,651.98	10,012,460.00
US BANK NA CALLABLE BANK NOTE DTD 10/24/2017 2.050% 10/23/2020	90331HNG4	40,000,000.00	AA-	A1	10/19/17	10/24/17	39,992,000.00	2.06	86,555.56	39,998,947.95	40,184,080.00
WELLS FARGO BANK NA BANK NOTE DTD 01/23/2018 2.600% 01/15/2021	94988J5N3	10,000,000.00	A+	Aa2	08/12/19	08/13/19	10,073,800.00	2.07	98,222.22	10,032,296.35	10,130,140.00
US BANK NA CINCINNATI CALLABLE BANK NOTE DTD 04/26/2018 3.150% 04/26/2021	90331HNP4	15,000,000.00	AA-	A1	04/24/18	04/26/18	14,999,100.00	3.15	45,937.50	14,999,729.84	15,337,020.00
WELLS FARGO (CALLABLE, FLOATING) NOTE DTD 07/23/2018 1.543% 07/23/2021	94988J5O6	2,000,000.00	A+	Aa2	04/15/20	04/17/20	1,985,380.00	2.89	3,343.17	1,986,804.03	1,999,456.00
WELLS FARGO (CALLABLE, FLOATING) NOTE DTD 07/23/2018 1.543% 07/23/2021	94988J5O6	4,420,000.00	A+	Aa2	04/28/20	04/30/20	4,402,320.00	1.87	7,388.40	4,403,580.04	4,418,797.76
WELLS FARGO (CALLABLE, FLOATING) NOTE DTD 07/23/2018 1.543% 07/23/2021	94988J5O6	5,050,000.00	A+	Aa2	04/28/20	04/30/20	5,029,800.00	1.87	8,441.50	5,031,239.64	5,048,626.40
US BANK BANK NOTE (CALLABLE) DTD 11/16/2018 3.450% 11/16/2021	90331HNX7	10,000,000.00	AA-	A1	11/13/18	11/16/18	9,986,200.00	3.50	14,375.00	9,993,288.87	10,396,360.00



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Bank Note</b>											
US BANK NA CINCINNATI BKNT (CALLABLE) DTD 01/21/2020 1.800% 01/21/2022	90331HPJ6	8,000,000.00	AA-	A1	01/17/20	01/21/20	7,997,200.00	1.82	52,000.00	7,997,705.61	8,150,504.00
US BANK NA CINCINNATI (CALLABLE) CORP NT DTD 05/23/2019 2.650% 05/23/2022	90331HPC1	7,000,000.00	AA-	A1	05/21/19	05/23/19	6,992,580.00	2.69	4,122.22	6,995,118.78	7,271,936.00
WELLS FARGO BANK NA CALLABLE BANK NOTE DTD 09/11/2019 2.082% 09/09/2022	94988J6A0	20,000,000.00	A+	Aa2	09/04/19	09/11/19	20,000,000.00	2.08	94,846.67	20,000,000.00	20,277,060.00

**Security Type Sub-Total** **131,470,000.00** **131,453,580.00** **2.40** **522,829.46** **131,438,363.09** **133,226,440.16**

<b>Asset-Backed Security</b>											
HAROT 2019-1 A2 DTD 02/27/2019 2.750% 09/20/2021	43814WAB1	3,069,345.55	AAA	NR	02/19/19	02/27/19	3,069,147.88	2.75	3,048.03	3,069,245.03	3,088,056.89
TAOT 2019-A A2A DTD 02/13/2019 2.830% 10/15/2021	89239AAB9	1,586,919.68	AAA	Aaa	02/05/19	02/13/19	1,586,775.59	2.83	1,995.99	1,586,845.64	1,594,542.92
JDOT 2019-A A2 DTD 03/13/2019 2.850% 12/15/2021	47789JAB2	2,228,496.70	NR	Aaa	03/05/19	03/13/19	2,228,395.08	2.85	2,822.76	2,228,440.04	2,235,444.48
MBALT 2019-B A2 DTD 11/20/2019 2.010% 12/15/2021	58769QAB7	2,757,840.78	AAA	NR	11/13/19	11/20/19	2,757,695.72	2.01	2,463.67	2,757,732.94	2,768,876.83
HAROT 2019-2 A2 DTD 05/29/2019 2.570% 12/21/2021	43815MAB2	7,886,154.36	NR	Aaa	05/21/19	05/29/19	7,886,141.75	2.57	5,629.84	7,886,146.72	7,949,148.96
TAOT 2019-B A2A DTD 05/08/2019 2.590% 02/15/2022	89239JAB0	7,247,838.88	AAA	Aaa	04/30/19	05/08/19	7,247,760.60	2.59	8,343.07	7,247,790.71	7,294,678.76
MBALT 2020-A A2 DTD 01/29/2020 1.820% 03/15/2022	58770FAB8	3,000,000.00	AAA	Aaa	01/21/20	01/29/20	2,999,876.70	1.82	16,076.67	2,999,896.40	3,013,292.70
TAOT 2019-C A2A DTD 08/14/2019 2.000% 04/15/2022	89238UAB6	3,601,192.75	AAA	Aaa	08/06/19	08/14/19	3,601,025.30	2.00	3,201.06	3,601,075.45	3,624,171.24
HAROT 2019-3 A2 DTD 08/27/2019 1.900% 04/15/2022	43815NAB0	4,276,274.62	AAA	Aaa	08/21/19	08/27/19	4,275,975.28	1.90	3,611.08	4,276,062.09	4,298,888.42



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Asset-Backed Security</b>											
JOHN DEERE OWNER TRUST DTD 07/24/2019 2.280% 05/16/2022	477870AB5	3,612,674.75	NR	Aaa	07/16/19	07/24/19	3,612,661.03	2.28	3,432.04	3,612,665.21	3,624,909.07
MBART 2019-1 A2A DTD 09/25/2019 2.040% 06/15/2022	58769TAB1	5,793,853.90	AAA	Aaa	09/18/19	09/25/19	5,793,300.01	2.04	5,253.09	5,793,439.32	5,826,072.36
HAROT 2019-4 A2 DTD 11/26/2019 1.860% 06/20/2022	43813VAB4	8,000,000.00	AAA	NR	11/19/19	11/26/19	7,999,505.60	1.86	5,373.33	7,999,604.80	8,068,057.60
HART 2019-B A2 DTD 11/06/2019 1.930% 07/15/2022	44891JAB4	2,499,156.67	AAA	NR	10/29/19	11/06/19	2,499,001.97	1.93	2,143.72	2,499,034.74	2,515,954.50
TAOT 2019-D A2 DTD 11/13/2019 1.920% 07/15/2022	89233MAB9	7,000,000.00	AAA	Aaa	11/06/19	11/13/19	6,999,482.70	1.92	5,973.33	6,999,589.34	7,046,389.00
MBALT 2019-B A3 DTD 11/20/2019 2.000% 10/17/2022	58769OAC5	2,500,000.00	AAA	NR	11/13/19	11/20/19	2,499,602.50	2.01	2,222.22	2,499,675.11	2,529,824.25
HAROT 2020-1 A2 DTD 02/26/2020 1.630% 10/21/2022	43813RAB3	8,500,000.00	NR	Aaa	02/19/20	02/26/20	8,499,138.95	1.63	3,848.61	8,499,224.34	8,582,367.55
TAOT 2020-A A2 DTD 02/12/2020 1.670% 11/15/2022	89232HAB1	12,000,000.00	AAA	Aaa	02/04/20	02/12/20	11,999,852.40	1.67	8,906.67	11,999,868.52	12,114,074.40
MBALT 2020-A A3 DTD 01/29/2020 1.840% 12/15/2022	58770FAC6	5,000,000.00	AAA	Aaa	01/21/20	01/29/20	4,999,341.00	1.84	4,088.89	4,999,418.75	5,056,857.00
JOHN DEERE OWNER TRUST OTHER ABS DTD 03/11/2020 1.010% 01/15/2023	47789KAB9	4,500,000.00	NR	Aaa	03/04/20	03/11/20	4,499,681.85	1.01	5,807.50	4,499,706.93	4,475,199.60
HAROT 2019-1 A3 DTD 02/27/2019 2.830% 03/20/2023	43814WAC9	4,000,000.00	AAA	NR	02/19/19	02/27/19	3,999,892.80	2.83	4,087.78	3,999,926.07	4,114,614.00
HAROT 2019-2 A3 DTD 05/29/2019 2.520% 06/21/2023	43815MAC0	8,500,000.00	NR	Aaa	05/21/19	05/29/19	8,499,682.95	2.52	5,950.00	8,499,761.79	8,733,636.10
JDOT 2019-A A3 DTD 03/13/2019 2.910% 07/15/2023	47789JAD8	4,500,000.00	NR	Aaa	03/05/19	03/13/19	4,499,446.95	2.91	5,820.00	4,499,602.57	4,570,146.45
TAOT 2019-A A3 DTD 02/13/2019 2.910% 07/15/2023	89239AAD5	8,000,000.00	AAA	Aaa	02/05/19	02/13/19	7,998,542.40	2.91	10,346.67	7,998,970.73	8,217,365.60



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Asset-Backed Security</b>											
HAROT 2019-3 A3 DTD 08/27/2019 1.780% 08/15/2023	43815NAC8	4,750,000.00	AAA	Aaa	08/21/19	08/27/19	4,749,960.58	1.78	3,757.78	4,749,968.17	4,829,915.90
TAOT 2019-B A3 DTD 05/08/2019 2.570% 08/15/2023	89239JAD6	5,000,000.00	AAA	Aaa	04/30/19	05/08/19	4,999,202.50	2.57	5,711.11	4,999,401.88	5,119,947.50
TAOT 2019-C A3 DTD 08/14/2019 1.910% 09/15/2023	89238UAD2	5,000,000.00	AAA	Aaa	08/06/19	08/14/19	4,999,959.00	1.91	4,244.44	4,999,967.02	5,086,313.50
BAACT 2018-A2 A2 DTD 05/17/2018 3.000% 09/15/2023	05522RCZ9	10,000,000.00	AAA	Aaa	09/30/19	10/02/19	10,170,312.50	2.55	13,333.33	10,141,651.88	10,225,194.00
JDOT 2019-B A3 DTD 07/24/2019 2.210% 12/15/2023	477870AC3	2,500,000.00	NR	Aaa	07/16/19	07/24/19	2,499,469.25	2.22	2,455.56	2,499,572.75	2,521,701.25
TAOT 2019-D A3 DTD 11/13/2019 1.920% 01/16/2024	89233MAD5	4,500,000.00	AAA	Aaa	11/06/19	11/13/19	4,499,675.10	1.92	3,840.00	4,499,717.92	4,586,710.95
HAROT 2019-4 A3 DTD 11/26/2019 1.830% 01/18/2024	43813VAC2	9,000,000.00	AAA	NR	11/19/19	11/26/19	8,998,396.20	1.83	5,947.50	8,998,595.35	9,176,877.00
HART 2019-B A3 DTD 11/06/2019 1.940% 02/15/2024	44891JAC2	3,750,000.00	AAA	NR	10/29/19	11/06/19	3,749,827.13	1.94	3,233.33	3,749,850.15	3,819,150.75
MBART 2019-1 A3 DTD 09/25/2019 1.930% 03/15/2024	58769TAD7	7,000,000.00	AAA	Aaa	09/18/19	09/25/19	6,999,036.10	1.93	6,004.44	6,999,183.67	7,112,897.40
HAROT 2020-1 A3 DTD 02/26/2020 1.610% 04/22/2024	43813RAC1	10,000,000.00	NR	Aaa	02/19/20	02/26/20	9,998,040.00	1.61	4,472.22	9,998,164.03	10,225,404.00
TAOT 2020-A A3 DTD 02/12/2020 1.660% 05/15/2024	89232HAC9	15,000,000.00	AAA	Aaa	02/04/20	02/12/20	14,998,917.00	1.66	11,066.67	14,998,993.66	15,254,656.50
JOHN DEERE OWNER TRUST DTD 03/11/2020 1.100% 08/15/2024	47789KAC7	5,000,000.00	NR	Aaa	03/04/20	03/11/20	4,999,694.50	1.10	2,444.44	4,999,709.98	4,938,139.00
CHAIT 2012-A7 A7 DTD 10/09/2012 2.160% 09/15/2024	161571FO2	10,000,000.00	AAA	NR	09/17/19	09/18/19	10,060,156.25	2.03	9,600.00	10,051,680.29	10,352,635.00
CHAIT 2020-A1 A1 DTD 02/18/2020 1.530% 01/15/2025	161571HP2	8,000,000.00	AAA	NR	02/10/20	02/18/20	7,998,167.20	1.53	5,440.00	7,998,273.51	8,174,432.80



**Managed Account Detail of Securities Held**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description</b> <b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Security Type Sub-Total</b>		<b>219,559,748.64</b>					<b>219,772,740.32</b>	<b>2.04</b>	<b>201,996.84</b>	<b>219,738,453.50</b>	<b>222,766,544.23</b>
<b>Managed Account Sub-Total</b>		<b>8,512,954,748.64</b>					<b>8,497,424,036.33</b>	<b>1.49</b>	<b>28,240,426.80</b>	<b>8,511,460,234.35</b>	<b>8,659,284,614.73</b>
<b>Securities Sub-Total</b>		<b>\$8,512,954,748.64</b>					<b>\$8,497,424,036.33</b>	<b>1.49%</b>	<b>\$28,240,426.80</b>	<b>\$8,511,460,234.35</b>	<b>\$8,659,284,614.73</b>
<b>Accrued Interest</b>											<b>\$28,240,426.80</b>
<b>Total Investments</b>											<b>\$8,687,525,041.53</b>



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>Broker</b>	<b>Next Call Date</b>	<b>Market Price</b>	<b>Market Value</b>	<b>Unreal G/L On Cost</b>	<b>Unreal G/L Amort Cost</b>	<b>Effective Duration</b>	<b>YTM at Mkt</b>
<b>U.S. Treasury Bond / Note</b>										
US TREASURY NOTES DTD 07/01/2013 1.875% 06/30/2020	912828VJ6	50,000,000.00	JEFFERIE		100.13	50,062,500.00	550,781.25	79,684.66	0.09	0.36
US TREASURY NOTES DTD 07/01/2013 1.875% 06/30/2020	912828VJ6	50,000,000.00	JPM		100.13	50,062,500.00	763,671.87	88,045.21	0.09	0.36
US TREASURY NOTES DTD 06/30/2015 1.625% 06/30/2020	912828XH8	50,000,000.00	WELLSFAR		100.09	50,046,875.00	218,750.00	60,568.34	0.09	0.48
US TREASURY NOTES DTD 06/30/2015 1.625% 06/30/2020	912828XH8	100,000,000.00	MUFG		100.09	100,093,750.00	460,937.50	125,441.78	0.09	0.48
US TREASURY NOTES DTD 07/31/2013 2.000% 07/31/2020	912828VP2	50,000,000.00	BK AMER		100.30	50,148,440.00	744,143.12	191,659.09	0.17	0.23
US TREASURY NOTES DTD 08/16/2010 2.625% 08/15/2020	912828NT3	25,000,000.00	BNP DIR		100.48	25,121,095.00	(600,584.69)	80,490.37	0.21	0.30
UNITED STATES TREASURY NOTES DTD 08/31/2018 2.625% 08/31/2020	9128284Y3	50,000,000.00	BK AMER		100.59	50,296,875.00	328,125.00	301,461.69	0.26	0.25
US TREASURY NOTES DTD 09/30/2015 1.375% 09/30/2020	912828L65	50,000,000.00	BNP DIR		100.39	50,195,310.00	1,306,638.12	402,188.00	0.34	0.20
US TREASURY NOTES DTD 10/31/2013 1.750% 10/31/2020	912828WC0	50,000,000.00	BARCLAYS		100.64	50,320,310.00	324,216.25	320,849.28	0.42	0.21
US TREASURY NOTES DTD 11/30/2015 1.625% 11/30/2020	912828M98	25,000,000.00	BARCLAYS		100.72	25,179,687.50	423,828.12	210,544.16	0.50	0.19
US TREASURY N/B NOTES DTD 02/15/2018 2.250% 02/15/2021	9128283X6	50,000,000.00	INTC		101.45	50,726,560.00	939,450.62	805,329.53	0.71	0.20
US TREASURY N/B NOTES DTD 02/15/2018 2.250% 02/15/2021	9128283X6	75,000,000.00	FTN		101.45	76,089,840.00	1,166,011.87	1,118,349.41	0.71	0.20
US TREASURY NOTES DTD 02/29/2016 1.125% 02/28/2021	912828P87	25,000,000.00	BARCLAYS		100.70	25,175,780.00	801,756.56	319,342.92	0.75	0.19
US TREASURY NOTES DTD 05/31/2016 1.375% 05/31/2021	912828R77	25,000,000.00	RBC CAP		101.16	25,289,062.50	954,101.56	438,306.78	1.00	0.22
US TREASURY NOTES DTD 05/31/2014 2.000% 05/31/2021	912828WN6	50,000,000.00	BARCLAYS		101.78	50,890,625.00	443,359.37	791,232.64	0.99	0.22
US TREASURY NOTES DTD 07/31/2014 2.250% 07/31/2021	912828WY2	100,000,000.00	MORGANST		102.38	102,375,000.00	2,449,218.75	2,413,326.82	1.16	0.21
US TREASURY NOTES DTD 09/30/2016 1.125% 09/30/2021	912828T34	25,000,000.00	MIZUHO		101.23	25,308,595.00	1,110,352.81	586,919.50	1.33	0.20



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description</b>	<b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>Broker</b>	<b>Next Call Date</b>	<b>Market Price</b>	<b>Market Value</b>	<b>Unreal G/L On Cost</b>	<b>Unreal G/L Amort Cost</b>	<b>Effective Duration</b>	<b>YTM at Mkt</b>
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES	DTD 12/01/2014 1.875% 11/30/2021	912828G53	25,000,000.00	BMO		102.55	25,636,720.00	902,345.00	717,216.88	1.48	0.17
US TREASURY NOTES	DTD 02/02/2015 1.500% 01/31/2022	912828H86	50,000,000.00	TD SEC U		102.19	51,093,750.00	2,314,453.12	1,504,472.76	1.65	0.19
US TREASURY N/B NOTES	DTD 02/28/2017 1.875% 02/28/2022	912828W55	25,000,000.00	CITIGRP		102.95	25,738,280.00	915,037.81	810,874.92	1.73	0.18
US TREASURY NOTES	DTD 07/31/2017 1.875% 07/31/2022	9128282P4	100,000,000.00	RBC		103.66	103,656,250.00	4,910,156.25	4,490,076.55	2.13	0.18
US TREASURY N/B NOTES	DTD 11/02/2015 1.875% 10/31/2022	912828M49	25,000,000.00	BMO_DIR		104.09	26,023,437.50	1,284,179.69	1,151,485.72	2.38	0.18
US TREASURY N/B NOTES	DTD 05/31/2016 1.625% 05/31/2023	912828R69	50,000,000.00	DEUTSCHE		104.27	52,132,810.00	3,474,606.87	3,102,377.88	2.92	0.20
US TREASURY NOTES	DTD 06/30/2016 1.375% 06/30/2023	912828S35	25,000,000.00	MIZUHO		103.59	25,898,437.50	1,197,265.62	1,151,742.78	3.02	0.20
US TREASURY NOTES	DTD 06/30/2016 1.375% 06/30/2023	912828S35	50,000,000.00	WELLSFAR		103.59	51,796,875.00	3,673,828.12	3,159,727.27	3.02	0.20
US TREASURY N/B NOTES	DTD 07/02/2018 2.625% 06/30/2023	9128284U1	50,000,000.00	SOC GEN		107.41	53,703,125.00	3,068,359.37	3,241,028.78	2.96	0.21
US TREASURY NOTES	DTD 06/30/2016 1.375% 06/30/2023	912828S35	100,000,000.00	SOC GEN		103.59	103,593,750.00	7,558,593.75	6,495,107.01	3.02	0.20
US TREASURY NOTES	DTD 08/01/2016 1.250% 07/31/2023	912828S92	100,000,000.00	BNP		103.30	103,296,880.00	7,031,255.00	6,016,428.00	3.11	0.21
US TREASURY NOTES	DTD 08/31/2016 1.375% 08/31/2023	9128282D1	100,000,000.00	MORGANST		103.77	103,765,620.00	7,203,120.00	6,288,438.69	3.19	0.21
US TREASURY NOTES	DTD 05/15/2014 2.500% 05/15/2024	912828WJ5	50,000,000.00	BNP		108.84	54,421,875.00	2,359,375.00	2,657,508.89	3.80	0.25
US TREASURY NOTES	DTD 05/15/2014 2.500% 05/15/2024	912828WJ5	50,000,000.00	WELLSFAR		108.84	54,421,875.00	2,810,546.87	2,969,466.87	3.80	0.25
US TREASURY N/B NOTES	DTD 06/30/2017 2.000% 06/30/2024	912828XX3	50,000,000.00	DAIWA		107.06	53,531,250.00	2,644,531.25	2,771,496.73	3.92	0.26
US TREASURY N/B NOTES	DTD 06/30/2017 2.000% 06/30/2024	912828XX3	50,000,000.00	MORGANST		107.06	53,531,250.00	2,513,671.87	2,640,943.83	3.92	0.26
US TREASURY N/B NOTES	DTD 06/30/2017 2.000% 06/30/2024	912828XX3	50,000,000.00	RBC		107.06	53,531,250.00	2,595,703.12	2,711,270.68	3.92	0.26



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description</b> <b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>Broker</b>	<b>Next Call Date</b>	<b>Market Price</b>	<b>Market Value</b>	<b>Unreal G/L On Cost</b>	<b>Unreal G/L Amort Cost</b>	<b>Effective Duration</b>	<b>YTM at Mkt</b>
<b>U.S. Treasury Bond / Note</b>										
UNITED STATES TREASURY NOTES DTD 06/30/2019 1.750% 06/30/2024	9128286Z8	50,000,000.00	MORGANST		106.06	53,031,250.00	2,857,421.87	2,875,411.30	3.94	0.26
US TREASURY N/B DTD 07/31/2017 2.125% 07/31/2024	9128282N9	50,000,000.00	TOR DOM		107.72	53,859,375.00	2,384,765.62	2,581,380.20	4.00	0.26
US TREASURY N/B DTD 02/17/2015 2.000% 02/15/2025	912828J27	50,000,000.00	MIZUHO		107.92	53,960,940.00	3,384,768.12	3,434,923.21	4.51	0.30
US TREASURY NOTES DTD 05/15/2015 2.125% 05/15/2025	912828XB1	50,000,000.00	BMO		108.83	54,414,060.00	3,304,685.00	3,402,028.04	4.74	0.33
<b>Security Type Sub-Total</b>		<b>2,000,000,000.00</b>				<b>2,068,421,865.00</b>	<b>80,773,427.40</b>	<b>72,507,147.17</b>	<b>2.11</b>	<b>0.25</b>
<b>Supra-National Discount Note</b>										
INTL BANK OF RECON AND DEV DISC NOTE DTD 06/03/2019 0.000% 06/01/2020	459052XP6	60,000,000.00	CASTLE		100.00	59,999,580.00	1,236,413.33	(420.00)	0.01	0.25
<b>Security Type Sub-Total</b>		<b>60,000,000.00</b>				<b>59,999,580.00</b>	<b>1,236,413.33</b>	<b>(420.00)</b>	<b>0.01</b>	<b>0.25</b>
<b>Supra-National Agency Bond / Note</b>										
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 08/29/2017 1.626% 09/04/2020	459058GA5	25,000,000.00	JPMCHASE		100.33	25,082,075.00	87,325.00	82,527.59	0.27	0.37
INTERNATIONAL FINANCE CORPORATION NOTE DTD 01/25/2018 2.250% 01/25/2021	45950KCM0	25,000,000.00	BK AMER		101.25	25,313,450.00	386,950.00	329,410.77	0.65	0.33
INTER-AMERICAN DEVELOPMENT BANK NOTE DTD 04/19/2018 2.625% 04/19/2021	4581X0DB1	50,000,000.00	CITIGRP		102.04	51,020,300.00	1,130,300.00	1,052,617.52	0.88	0.32
INTL BANK OF RECONSTRUCTION AND DEV NOTE DTD 07/25/2018 2.750% 07/23/2021	459058GH0	50,000,000.00	MORGANST		102.79	51,397,100.00	1,514,100.00	1,441,696.89	1.13	0.31
INTL BANK OF RECON AND DEV GLOBAL NOTES DTD 12/13/2017 2.125% 12/13/2021	459058GF4	20,000,000.00	DEUTSCHE		102.78	20,555,200.00	600,200.00	572,448.46	1.51	0.31



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	Broker	Next Call Date	Market Price	Market Value	Unreal G/L On Cost	Unreal G/L Amort Cost	Effective Duration	YTM at Mkt
<b>Supra-National Agency Bond / Note</b>										
INTER-AMERICAN DEVELOPMENT BANK NOTE DTD 09/26/2018 3.000% 09/26/2022	4581X0DD7	25,000,000.00	JPMCHASE		106.00	26,500,875.00	1,556,875.00	1,533,340.43	2.25	0.40
INTER-AMERICAN DEVEL BK CORPORATE NOTES DTD 04/24/2020 0.500% 05/24/2023	4581X0DM7	20,000,000.00	RBC CAP		100.40	20,080,480.00	87,280.00	87,050.31	2.97	0.36
INTER-AMERICAN DEVELOPMENT BANK NOTE DTD 10/04/2013 3.000% 10/04/2023	4581X0CC0	25,000,000.00	BMO		108.67	27,167,550.00	1,687,550.00	1,814,353.38	3.20	0.39
<b>Security Type Sub-Total</b>		<b>240,000,000.00</b>				<b>247,117,030.00</b>	<b>7,050,580.00</b>	<b>6,913,445.35</b>	<b>1.47</b>	<b>0.34</b>

<b>NOW Account</b>										
BANK OF THE WEST MONEY MARKET FUND	BKOFWEST7	75,000,000.00	DIRECT		1.00	75,000,000.00	0.00	0.00	0.00	0.35
BANK OF THE WEST MONEY MARKET FUND	BKOFWEST7	125,000,000.00			1.00	125,000,000.00	0.00	0.00	0.00	0.35
<b>Security Type Sub-Total</b>		<b>200,000,000.00</b>				<b>200,000,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.35</b>

<b>Money Market Mutual Fund</b>										
FIDELITY GOV'T MM FUND 2642	31607A703	173,000,000.00			1.00	173,000,000.00	0.00	0.00	0.00	0.08
FEDERATED GOVT OBLIGATIONS FUND	608919718	379,000,000.00			1.00	379,000,000.00	0.00	0.00	0.00	0.09
<b>Security Type Sub-Total</b>		<b>552,000,000.00</b>				<b>552,000,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.09</b>

<b>Joint Powers Authority</b>										
CALIFORNIA ASSET MANAGEMENT PROGRAM	CAMPMF025	18,000,000.00	DIRECT		1.00	18,000,000.00	0.00	0.00	0.00	0.56
CALIFORNIA ASSET MANAGEMENT PROGRAM	CAMPMF025	36,000,000.00			1.00	36,000,000.00	0.00	0.00	0.00	0.56
CALIFORNIA ASSET MANAGEMENT PROGRAM	CAMPMF025	46,000,000.00			1.00	46,000,000.00	0.00	0.00	0.00	0.56
CALIFORNIA ASSET MANAGEMENT PROGRAM	CAMPMF025	200,000,000.00			1.00	200,000,000.00	0.00	0.00	0.00	0.56
<b>Security Type Sub-Total</b>		<b>300,000,000.00</b>				<b>300,000,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.56</b>



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

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<b>Federally Insured Cash Account</b>										
STONECASTLE FICA	FICAMF003	50,000,000.00			1.00	50,000,000.00	0.00	0.00	0.00	0.25
<b>Security Type Sub-Total</b>		<b>50,000,000.00</b>				<b>50,000,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.25</b>
<b>Federal Agency Discount Note</b>										
FEDERAL HOME LOAN BANKS DISC NOTE DTD 07/01/2019 0.000% 07/01/2020	313384YV5	50,000,000.00	TOR DOM		99.94	49,971,141.65	914,197.21	51,974.98	0.09	0.67
FHLB DISC NOTE DTD 07/15/2019 0.000% 07/15/2020	313384ZK8	75,000,000.00	LOOP CAP		99.92	74,938,312.50	461,437.50	80,395.83	0.13	0.66
FEDERAL HOME LOAN BANKS DISC NOTE -- 0.000% 08/03/2020	313384A66	100,000,000.00	LOOP CAP		99.98	99,977,200.00	802,811.11	246,700.00	0.18	0.13
FEDERAL HOME LOAN BANKS DISC NOTE -- 0.000% 08/07/2020	313384B24	60,000,000.00	LOOP CAP		99.98	59,985,480.00	473,730.00	158,563.33	0.19	0.13
<b>Security Type Sub-Total</b>		<b>285,000,000.00</b>				<b>284,872,134.15</b>	<b>2,652,175.82</b>	<b>537,634.14</b>	<b>0.16</b>	<b>0.36</b>
<b>Federal Agency Bond / Note</b>										
FNMA NOTES DTD 08/01/2017 1.500% 07/30/2020	3135G0T60	75,000,000.00	BARCLAYS		100.22	75,165,300.00	392,550.00	177,555.71	0.17	0.18
FHLB NOTES DTD 03/14/2018 2.400% 09/14/2020	3130ADT93	10,000,000.00	JEFFERIE		100.64	10,063,920.00	70,137.00	64,633.43	0.29	0.19
FHLB NOTES DTD 09/08/2017 1.375% 09/28/2020	3130ACE26	40,000,000.00	BARCLAYS		100.39	40,157,280.00	285,680.00	170,971.40	0.33	0.17
FEDERAL HOME LOAN BANKS NOTES DTD 09/07/2018 2.625% 10/01/2020	3130AEWA4	75,000,000.00	BARCLAYS		100.82	75,614,700.00	775,950.00	640,756.29	0.34	0.18
FANNIE MAE NOTES DTD 11/01/2018 2.875% 10/30/2020	3135G0U84	50,000,000.00	JPMCHASE		101.12	50,560,550.00	589,550.00	566,556.86	0.42	0.18
FHLMC NOTES DTD 11/15/2017 1.875% 11/17/2020	3137EAEK1	50,000,000.00	CITI		100.79	50,392,800.00	440,800.00	400,187.98	0.47	0.18
FREDDIE MAC NOTES DTD 02/16/2018 2.375% 02/16/2021	3137EAEI9	50,000,000.00	BARCLAYS		101.55	50,775,250.00	907,250.00	806,563.87	0.71	0.19
FANNIE MAE NOTES DTD 04/13/2018 2.500% 04/13/2021	3135G0U27	50,000,000.00	BARCLAYS		102.01	51,002,500.00	1,077,000.00	1,023,979.93	0.87	0.19



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

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<b>Federal Agency Bond / Note</b>										
FEDERAL FARM CREDIT BANK NOTES DTD 11/26/2018 2.875% 05/26/2021	3133EJW70	25,000,000.00	DEUTSCHE		102.65	25,662,625.00	706,875.00	680,062.71	0.99	0.19
FEDERAL FARM CREDIT BANK NOTES DTD 11/26/2018 2.875% 05/26/2021	3133EJW70	50,000,000.00	MIZUHO		102.65	51,325,250.00	1,359,250.00	1,338,633.77	0.99	0.19
FANNIE MAE NOTES DTD 06/25/2018 2.750% 06/22/2021	3135G0U35	75,000,000.00	TD SEC U		102.70	77,026,125.00	2,043,375.00	2,032,216.95	1.04	0.20
FHLB NOTES DTD 03/05/2012 2.375% 09/10/2021	313378JP7	20,000,000.00	MIZUHO		102.76	20,551,960.00	230,360.00	349,984.80	1.26	0.21
FEDERAL HOME LOAN BANKS NOTES DTD 10/12/2018 3.000% 10/12/2021	3130AF5B9	50,000,000.00	BARCLAYS		103.79	51,894,400.00	1,926,900.00	1,909,167.34	1.35	0.22
FEDERAL HOME LOAN BANKS NOTES DTD 11/08/2019 1.625% 11/19/2021	3130AHJY0	30,000,000.00	WELLSFAR		102.06	30,618,480.00	669,780.00	655,537.68	1.46	0.22
FEDERAL HOME LOAN BANKS NOTES DTD 12/20/2019 1.625% 12/20/2021	3130AHSR5	22,500,000.00	BARCLAYS		102.18	22,991,040.00	515,340.00	509,888.29	1.53	0.22
FANNIE MAE NOTES DTD 01/11/2019 2.625% 01/11/2022	3135G0U92	60,000,000.00	TD		103.87	62,322,960.00	2,366,160.00	2,346,176.06	1.58	0.22
FEDERAL FARM CREDIT BANK NOTES DTD 01/18/2019 2.600% 01/18/2022	3133EJ5P0	50,000,000.00	FTN		103.88	51,938,800.00	1,981,300.00	1,961,911.31	1.60	0.22
FANNIE MAE NOTES DTD 04/12/2019 2.250% 04/12/2022	3135G0V59	75,000,000.00	BARCLAYS		103.74	77,806,950.00	3,052,950.00	2,959,577.74	1.84	0.24
FEDERAL FARM CREDIT BANK NOTES DTD 05/06/2020 0.250% 05/06/2022	3133ELYR9	100,000,000.00	JPMCHAS		100.01	100,007,000.00	134,000.00	129,476.71	1.93	0.25
FEDERAL HOME LOAN BANK DTD 06/01/2012 2.125% 06/10/2022	313379Q69	25,000,000.00	WELLSFAR		103.77	25,942,950.00	786,450.00	833,842.92	1.98	0.26
FFCB NOTES DTD 12/16/2019 1.630% 06/15/2022	3133ELDK7	40,000,000.00	INCAPITA		102.79	41,116,640.00	1,118,759.20	1,118,368.82	2.01	0.26
FANNIE MAE NOTES DTD 09/06/2019 1.375% 09/06/2022	3135G0W33	75,000,000.00	BARCLAYS		102.52	76,892,550.00	2,153,550.00	2,089,490.69	2.24	0.26
FEDERAL HOME LOAN BANKS NOTES DTD 08/13/2012 2.000% 09/09/2022	313380GJ0	10,000,000.00	WELLSFAR		103.95	10,394,780.00	244,280.00	281,938.99	2.23	0.26
FEDERAL HOME LOAN BANK NOTES (CALLABLE) DTD 10/26/2018 3.210% 10/26/2022	3130AFAJ6	25,000,000.00	TOR DOM	10/26/20	101.16	25,291,175.00	291,175.00	291,175.00	0.41	2.71



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

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<b>Federal Agency Bond / Note</b>										
FEDERAL FARM CREDIT BANK NOTES(CALLABLE) DTD 01/24/2020 1.640% 01/24/2023	3133ELJN5	10,000,000.00	OTHER	01/24/22	102.05	10,205,110.00	210,110.00	209,521.50	1.63	0.86
FEDERAL FARM CREDIT BANK NOTES(CALLABLE) DTD 01/24/2020 1.640% 01/24/2023	3133ELJN5	20,000,000.00	DAIWA	01/24/22	102.05	20,410,220.00	420,220.00	419,042.99	1.63	0.86
FEDERAL FARM CREDIT BANK NOTES(CALLABLE) DTD 01/24/2020 1.640% 01/24/2023	3133ELJN5	20,000,000.00	FCSTONE	01/24/22	102.05	20,410,220.00	420,220.00	419,042.99	1.63	0.86
FEDERAL HOME LOAN BANKS NOTES DTD 02/21/2020 1.375% 02/17/2023	3130AJ7E3	50,000,000.00	WELLSFAR		102.94	51,472,150.00	1,564,150.00	1,555,640.84	2.67	0.29
FEDERAL HOME LOAN BANKS NOTES DTD 03/01/2018 2.750% 03/10/2023	3130ADRG9	10,000,000.00	TOR DOM		106.78	10,678,250.00	635,570.00	649,852.79	2.69	0.30
FREDDIE MAC NOTES DTD 04/20/2020 0.375% 04/20/2023	3137EAE08	50,000,000.00	CITIGRP		100.20	50,101,900.00	226,900.00	222,105.48	2.88	0.30
FREDDIE MAC NOTES (CALLABLE) DTD 05/04/2020 0.450% 05/04/2023	3134GVRD2	50,000,000.00	RBC	05/04/21	100.06	50,030,200.00	30,200.00	30,200.00	0.93	0.43
FREDDIE MAC NOTES DTD 05/07/2020 0.375% 05/05/2023	3137EAER6	100,000,000.00	WELLS_F		100.21	100,206,800.00	248,800.00	247,839.34	2.92	0.30
FANNIE MAE NOTES DTD 05/22/2020 0.250% 05/22/2023	3135G04O3	100,000,000.00	CITIGRP		99.84	99,840,200.00	141,200.00	138,451.14	2.97	0.30
FEDERAL FARM CREDIT BANKS NOTES DTD 08/14/2019 1.600% 08/14/2023	3133EKZK5	10,000,000.00	WELLSFAR		104.13	10,412,740.00	365,640.00	374,662.61	3.13	0.31
FANNIE MAE NOTES DTD 02/08/2019 2.500% 02/05/2024	3135G0V34	100,000,000.00	JPM_CHAS		107.76	107,758,000.00	8,130,000.00	8,032,255.62	3.52	0.38
FHLB BONDS DTD 02/15/2019 2.500% 02/13/2024	3130AFW94	50,000,000.00	BARCLAYS		107.80	53,902,250.00	4,079,250.00	4,033,447.37	3.54	0.38
FFCB (CALLABLE) NOTES DTD 03/12/2020 1.050% 03/12/2024	3133ELSL9	30,995,000.00	WELLSFA	03/12/21	100.36	31,105,187.23	110,187.23	110,187.23	3.71	0.95
FFCB (CALLABLE) NOTES DTD 03/12/2020 1.050% 03/12/2024	3133ELSL9	50,000,000.00	CFCO	03/12/21	100.36	50,177,750.00	177,750.00	177,750.00	3.71	0.95
FEDERAL FARM CREDIT BANK NOTES(CALLABLE) DTD 04/22/2020 0.800% 04/22/2024	3133ELXC3	10,000,000.00	CANTFIT	04/22/21	100.33	10,032,670.00	32,670.00	32,670.00	0.89	0.71



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

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<b>Federal Agency Bond / Note</b>										
FEDERAL FARM CREDIT BANK NOTES(CALLABLE) DTD 04/22/2020 0.800% 04/22/2024	3133ELXC3	10,000,000.00	MIZUHO	04/22/21	100.33	10,032,670.00	32,670.00	32,670.00	0.89	0.71
FEDERAL FARM CREDIT BANK NOTES(CALLABLE) DTD 04/22/2020 0.800% 04/22/2024	3133ELXC3	10,000,000.00	PIPER J	04/22/21	100.33	10,032,670.00	32,670.00	32,670.00	0.89	0.71
FHLMC (CALLABLE) NOTES DTD 04/29/2020 0.570% 04/29/2024	3134GVPP7	25,000,000.00	CANTFIT	04/29/22	100.17	25,043,325.00	43,325.00	43,325.00	1.91	0.53
FHLMC (CALLABLE) NOTES DTD 05/20/2020 0.560% 05/20/2024	3134GVTN8	25,000,000.00	LOOP CA	05/20/21	100.08	25,019,425.00	29,425.00	29,342.86	0.97	0.54
FHLMC (CALLABLE) NOTES DTD 05/20/2020 0.510% 05/20/2024	3134GVUY2	25,000,000.00	WELLS_F	05/20/22	100.01	25,003,525.00	3,525.00	3,525.00	1.97	0.51
FHLMC (CALLABLE) NOTES DTD 05/20/2020 0.590% 05/20/2024	3134GVXD5	25,000,000.00	GREAT P	05/20/21	100.04	25,010,700.00	10,700.00	10,700.00	0.97	0.58
FHLMC (CALLABLE) NOTES DTD 05/20/2020 0.500% 05/20/2024	3134GVXC7	25,000,000.00	INCAPIT	05/20/22	99.81	24,951,450.00	(48,550.00)	(48,550.00)	1.97	0.55
FANNIE MAE NOTES DTD 07/08/2019 1.750% 07/02/2024	3135G0V75	25,000,000.00	CITI		105.38	26,345,150.00	1,564,150.00	1,524,681.87	3.94	0.42
FEDERAL HOME LOAN BANK NOTES DTD 08/15/2014 2.875% 09/13/2024	3130A2UW4	25,000,000.00	WELLSFAR		110.36	27,590,875.00	1,140,125.00	1,340,641.66	4.06	0.43
FEDERAL HOME LOAN BANK NOTES DTD 08/15/2014 2.875% 09/13/2024	3130A2UW4	25,000,000.00	MORGANST		110.36	27,590,875.00	1,157,550.00	1,354,296.38	4.06	0.43
FANNIE MAE NOTES DTD 10/18/2019 1.625% 10/15/2024	3135G0W66	25,000,000.00	CITI		105.08	26,269,850.00	1,312,600.00	1,307,279.69	4.24	0.45
FEDERAL HOME LOAN BANK NOTES DTD 11/06/2014 2.750% 12/13/2024	3130A3GE8	10,000,000.00	JEFFERIE		110.21	11,021,260.00	505,630.00	555,928.51	4.26	0.47
FEDERAL HOME LOAN BANK NOTES DTD 11/06/2014 2.750% 12/13/2024	3130A3GE8	25,000,000.00	INTL_FCS		110.21	27,553,150.00	1,168,650.00	1,303,704.77	4.26	0.47
FEDERAL HOME LOAN BANK NOTES DTD 11/06/2014 2.750% 12/13/2024	3130A3GE8	25,000,000.00	WELLSFAR		110.21	27,553,150.00	1,265,650.00	1,391,242.64	4.26	0.47
FANNIE MAE NOTES DTD 01/10/2020 1.625% 01/07/2025	3135G0X24	75,000,000.00	BARCLAYS		105.15	78,865,575.00	4,104,825.00	4,086,068.01	4.43	0.49
FREDDIE MAC NOTES DTD 02/14/2020 1.500% 02/12/2025	3137EAEP0	50,000,000.00	WELLSFAR		104.63	52,317,250.00	2,355,750.00	2,353,471.64	4.54	0.50



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>Broker</b>	<b>Next Call Date</b>	<b>Market Price</b>	<b>Market Value</b>	<b>Unreal G/L On Cost</b>	<b>Unreal G/L Amort Cost</b>	<b>Effective Duration</b>	<b>YTM at Mkt</b>
<b>Federal Agency Bond / Note</b>										
FEDERAL HOME LOAN BANKS NOTES DTD 02/17/2015 2.375% 03/14/2025	3130A4CH3	25,840,000.00	DAIWA		108.85	28,127,873.60	1,469,779.20	1,545,426.37	4.55	0.50
FANNIE MAE NOTES DTD 04/24/2020 0.625% 04/22/2025	3135G03U5	50,000,000.00	CITIGRP		100.55	50,276,350.00	379,350.00	377,204.17	4.83	0.51
FHLMC (CALLABLE) NOTES DTD 05/06/2020 0.700% 05/06/2025	3134GVPR3	25,000,000.00	PIPER J	05/06/22	100.23	25,056,375.00	56,375.00	56,375.00	1.93	0.65
<b>Security Type Sub-Total</b>		<b>2,324,335,000.00</b>				<b>2,385,921,130.83</b>	<b>57,496,487.63</b>	<b>57,291,328.72</b>	<b>2.20</b>	<b>0.38</b>
<b>Corporate Note</b>										
WAL-MART STORES INC CORP NOTES DTD 06/27/2018 2.850% 06/23/2020	931142EG4	10,000,000.00	CITIGRP		100.17	10,016,880.00	19,980.00	17,197.91	0.07	0.21
JOHNSON & JOHNSON CORP NOTE DTD 11/10/2017 1.950% 11/10/2020	478160CH5	3,000,000.00	JPM		100.50	3,014,874.00	18,084.00	15,348.47	0.45	0.83
VISA INC (CALLABLE) CORP NOTES DTD 12/14/2015 2.200% 12/14/2020	92826CAB8	4,550,000.00	MKTX	11/14/20	100.84	4,588,338.30	27,964.30	31,185.68	0.45	0.63
EXXON MOBIL CORPORATE (CALLABLE) NOTES DTD 03/03/2016 2.222% 03/01/2021	30231GAV4	5,000,000.00	JPMCHASE	02/01/21	101.22	5,060,910.00	173,560.00	99,312.76	0.67	0.60
EXXON MOBIL CORPORATE (CALLABLE) NOTES DTD 03/03/2016 2.222% 03/01/2021	30231GAV4	9,240,000.00	MKTX	02/01/21	101.22	9,352,561.68	97,408.08	101,262.47	0.67	0.60
JOHN DEERE CAPITAL CORP CORP NOTES DTD 06/07/2019 2.300% 06/07/2021	24422EUV9	10,000,000.00	CITIGRP		101.50	10,149,950.00	156,750.00	153,401.16	1.01	0.82
WAL-MART STORES INC CORP NOTES DTD 06/27/2018 3.125% 06/23/2021	931142EJ8	7,000,000.00	CITIGRP		102.85	7,199,647.00	199,997.00	199,771.04	1.04	0.43
WAL-MART STORES INC CORP NOTES DTD 06/27/2018 3.125% 06/23/2021	931142EJ8	10,000,000.00	JPMCHASE		102.85	10,285,210.00	273,410.00	281,028.13	1.04	0.43
MICROSOFT CORP (CALLABLE) NOTES DTD 08/08/2016 1.550% 08/08/2021	594918BP8	9,800,000.00	LOOP CAP	07/08/21	101.38	9,935,102.80	327,378.80	237,256.80	1.10	0.39
3M COMPANY DTD 09/14/2018 3.000% 09/14/2021	88579YBA8	2,000,000.00	CITI		102.74	2,054,814.00	58,914.00	56,572.21	1.27	0.86
3M COMPANY CORP (CALLABLE) NOTES DTD 09/19/2016 1.625% 09/19/2021	88579YAU5	10,000,000.00	MORGANST	08/19/21	101.63	10,163,120.00	591,920.00	357,656.77	1.21	0.37



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

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<b>Corporate Note</b>										
TOYOTA MOTOR CREDIT CORP CORP NOTES DTD 10/07/2019 1.800% 10/07/2021	89236TGJ8	15,000,000.00	BK AMER		101.18	15,177,360.00	179,160.00	178,573.95	1.34	0.92
TOYOTA MOTOR CREDIT CORP CORP NOTES DTD 03/18/2019 2.850% 02/18/2022	89236TFU4	10,000,000.00	TOR DOM		100.53	10,053,410.00	53,410.00	53,410.00	1.68	2.53
3M COMPANY BONDS DTD 02/22/2019 2.750% 03/01/2022	88579YBF7	5,000,000.00	MORGANST	02/01/22	103.30	5,165,235.00	167,585.00	166,594.29	1.64	0.85
JOHN DEERE CAPITAL CORP DTD 03/07/2019 2.950% 04/01/2022	24422EUT4	5,000,000.00	BK AMER		104.25	5,212,730.00	215,130.00	214,162.29	1.80	0.62
TOYOTA MOTOR CREDIT CORP DTD 04/12/2019 2.650% 04/12/2022	89236TFX8	10,000,000.00	CITIGRP		103.37	10,337,350.00	343,650.00	341,258.76	1.83	0.82
US BANK NA CINCINNATI FLOATING CORP NOT DTD 05/23/2019 0.799% 05/23/2022	90331HPD9	10,000,000.00	JPMCHAS		99.64	9,964,380.00	30,580.00	29,055.07	0.24	0.80
US BANK NA CINCINNATI FLOATING CORP NOT DTD 05/23/2019 0.799% 05/23/2022	90331HPD9	10,000,000.00	JPMCHAS		99.64	9,964,380.00	31,680.00	30,398.10	0.24	0.80
JOHN DEERE CAPITAL CORP CORP NOTES DTD 09/12/2019 1.950% 06/13/2022	24422EVA4	5,000,000.00	CITI		102.77	5,138,315.00	144,765.00	143,077.09	1.99	0.58
EXXON MOBIL CORPORATION DTD 08/16/2019 1.902% 08/16/2022	30231GBB7	3,000,000.00	MORGANST		103.02	3,090,489.00	90,489.00	90,489.00	2.17	0.53
US BANK NA CINCINNATI DTD 12/09/2019 1.950% 01/09/2023	90331HPF4	12,000,000.00	BARCLAYS	12/09/22	103.14	12,376,656.00	386,736.00	385,170.78	2.54	0.73
BANK OF NY MELLON CORP DTD 01/28/2020 1.850% 01/27/2023	06406RAM9	5,000,000.00	DIRECT		103.12	5,155,910.00	83,560.00	86,079.65	2.59	0.66
<b>Security Type Sub-Total</b>		<b>170,590,000.00</b>				<b>173,457,622.78</b>	<b>3,672,111.18</b>	<b>3,268,262.38</b>	<b>1.20</b>	<b>0.75</b>

<b>Commercial Paper</b>										
TOYOTA MOTOR CREDIT CORP COMM PAPER -- 0.000% 06/03/2020	89233GF35	25,000,000.00	TOYOTA		99.99	24,998,225.00	228,245.83	766.67	0.01	0.85



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>Broker</b>	<b>Next Call Date</b>	<b>Market Price</b>	<b>Market Value</b>	<b>Unreal G/L On Cost</b>	<b>Unreal G/L Amort Cost</b>	<b>Effective Duration</b>	<b>YTM at Mkt</b>
<b>Commercial Paper</b>										
EXXON MOBIL CORP COMM PAPER -- 0.000% 06/17/2020	30229AFH7	40,000,000.00	EXXON		99.99	39,995,480.00	98,924.44	12,368.89	0.05	0.24
NATIXIS NY BRANCH COMM PAPER DTD 10/08/2019 0.000% 07/02/2020	63873JG20	50,000,000.00	NATIXIS_		99.99	49,993,050.00	347,216.67	66,244.45	0.09	0.16
NATIXIS NY BRANCH COMM PAPER DTD 12/11/2019 0.000% 07/08/2020	63873JG87	50,000,000.00	NATIXIS_		99.98	49,991,250.00	359,583.33	78,611.11	0.11	0.17
TOYOTA MOTOR CREDIT CORP COMM PAPER -- 0.000% 08/03/2020	89233GH33	25,000,000.00	TOYOTA		99.86	24,966,050.00	312,550.00	48,737.50	0.19	0.76
CREDIT AGRICOLE CIB NY COMM PAPER -- 0.000% 08/03/2020	22533TH33	50,000,000.00	CREDITAG		99.96	49,978,550.00	597,855.56	137,800.00	0.18	0.24
BNP PARIBAS NY BRANCH COMM PAPER DTD 05/13/2020 0.000% 08/26/2020	09659BHS2	40,000,000.00	BNP DIR		99.95	39,979,120.00	5,953.33	1,097.78	0.25	0.22
JP MORGAN SECURITIES LLC COMM PAPER DTD 02/26/2020 0.000% 09/01/2020	46640PJ12	50,000,000.00	JPMCHAS		99.93	49,966,650.00	36,650.00	17,761.11	0.26	0.26
COOPERATIEVE RABOBANK U.A. COMM PAPER DTD 05/08/2020 0.000% 10/02/2020	21687AK28	25,000,000.00	RABO_DI		99.92	24,980,150.00	7,712.50	3,212.50	0.35	0.23
COOPERATIEVE RABOBANK U.A. COMM PAPER DTD 05/08/2020 0.000% 10/08/2020	21687AK85	25,000,000.00	RABO_DI		99.91	24,978,650.00	7,337.50	2,837.50	0.37	0.24
COOPERATIEVE RABOBANK U.A. COMM PAPER DTD 05/08/2020 0.000% 10/14/2020	21687AKE2	25,000,000.00	RABO_DI		99.91	24,977,100.00	6,912.50	2,412.50	0.38	0.24
JP MORGAN SECURITIES LLC COMM PAPER -- 0.000% 11/02/2020	46640PL27	50,000,000.00	JPMCHAS		99.86	49,929,800.00	137,091.67	90,216.67	0.44	0.33
JP MORGAN SECURITIES LLC COMM PAPER -- 0.000% 11/02/2020	46640PL27	50,000,000.00	CHASE		99.86	49,929,800.00	60,355.56	36,744.45	0.44	0.33
JP MORGAN SECURITIES LLC COMM PAPER DTD 05/07/2020 0.000% 11/18/2020	46640PLJ0	25,000,000.00	CHASE		99.84	24,959,175.00	6,570.83	494.44	0.48	0.34
COOPERATIEVE RABOBANK U.A. COMM PAPER DTD 05/14/2020 0.000% 02/01/2021	21687AP15	50,000,000.00	RABOBAN		99.76	49,879,250.00	(208.33)	(8,458.33)	0.69	0.35



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description</b>				<b>Next Call</b>	<b>Market</b>	<b>Market</b>	<b>Unreal G/L</b>	<b>Unreal G/L</b>	<b>Effective</b>	<b>YTM</b>
<b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>Broker</b>	<b>Date</b>	<b>Price</b>	<b>Value</b>	<b>On Cost</b>	<b>Amort Cost</b>	<b>Duration</b>	<b>at Mkt</b>
<b>Security Type Sub-Total</b>		<b>580,000,000.00</b>				<b>579,502,300.00</b>	<b>2,212,751.39</b>	<b>490,847.24</b>	<b>0.29</b>	<b>0.30</b>
<b>Certificate of Deposit</b>										
SWEDBANK NY CERT DEPOS DTD 12/12/2019 1.850% 06/05/2020	87019VZW0	50,000,000.00	OTHER		100.03	50,016,122.25	16,122.25	16,122.25	0.02	-0.47
BANK OF NOVA SCOTIA HOUSTON CERT DEPOS DTD 12/13/2019 1.860% 07/01/2020	06417MFV2	25,000,000.00	BNS		100.15	25,037,994.90	37,994.90	37,994.90	0.09	0.09
NORDEA BANK ABP NEW YORK CERT DEPOS DTD 12/13/2019 1.850% 07/01/2020	65558TRN7	25,000,000.00	CASTLE		100.15	25,037,766.00	37,766.00	37,766.00	0.09	0.09
COOPERATIEVE RABOBANK U.A. CERT DEPOS DTD 06/21/2019 2.040% 07/01/2020	21684XBD7	50,000,000.00	RABO_DIR		100.17	50,084,139.70	84,139.70	84,139.70	0.09	0.08
BANK OF NOVA SCOTIA HOUSTON CERT DEPOS DTD 12/05/2019 1.850% 07/01/2020	06417MFP5	50,000,000.00	BNS		100.15	50,075,528.25	75,528.25	75,528.25	0.09	0.09
ROYAL BANK OF CANADA NY CERT DEPOS DTD 12/05/2019 1.810% 07/01/2020	78012URU1	50,000,000.00	ROYAL		100.15	50,073,697.00	73,697.00	73,697.00	0.09	0.10
WELLS FARGO BANK NA CERT DEPOS DTD 08/20/2019 1.810% 08/03/2020	95001KCZ5	25,000,000.00	WELLSFAR		100.29	25,071,770.23	71,770.23	71,770.23	0.18	0.19
BANK OF NOVA SCOTIA HOUSTON CERT DEPOS DTD 11/19/2019 1.850% 08/03/2020	06417MEY7	50,000,000.00	BNS		100.29	50,147,301.40	147,301.40	147,301.40	0.18	0.19
SVENSKA HANDELSBANKEN NY CERT DEPOS DTD 01/23/2020 1.720% 08/03/2020	86959REY2	50,000,000.00	SVENSKA		100.27	50,135,473.55	135,473.55	135,473.55	0.18	0.19
BANK OF NOVA SCOTIA HOUSTON CERT DEPOS DTD 04/20/2020 0.800% 08/12/2020	06417MJP1	50,000,000.00	BNS		100.12	50,058,282.50	58,282.50	58,282.50	0.21	0.22
BANK OF MONTREAL CHICAGO CERT DEPOS DTD 03/02/2020 1.080% 09/01/2020	06367BHE2	50,000,000.00	BMO_DIR		100.20	50,100,081.75	100,081.75	100,081.75	0.26	0.30
SWEDBANK NY CERT DEPOS DTD 03/02/2020 1.120% 09/01/2020	87019VC54	50,000,000.00	OTHER		100.21	50,105,350.95	105,350.95	105,350.95	0.26	0.30



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

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<b>Certificate of Deposit</b>										
SWEDBANK NY CERT DEPOS DTD 04/24/2020 0.550% 09/08/2020	87019VD61	50,000,000.00	DIRECT		100.07	50,032,529.60	32,529.60	32,529.60	0.28	0.32
TORONTO DOMINION BANK NY CERT DEPOS DTD 05/08/2020 0.210% 09/09/2020	89114NKP9	50,000,000.00	TOR DOM		99.97	49,984,272.65	(15,727.35)	(15,727.35)	0.29	0.32
BANK OF AMERICA NA CERT DEPOS DTD 04/20/2020 0.900% 10/01/2020	06052TK90	50,000,000.00	BOFA		100.20	50,100,528.55	100,528.55	100,528.55	0.35	0.31
ROYAL BANK OF CANADA NY CERT DEPOS DTD 04/16/2020 0.980% 10/07/2020	78012UVC6	50,000,000.00	ROYAL		100.24	50,119,875.55	119,875.55	119,875.55	0.36	0.31
TORONTO DOMINION BANK NY CERT DEPOS DTD 04/16/2020 0.650% 10/07/2020	89114NJZ9	50,000,000.00	TD SEC		100.12	50,059,926.65	59,926.65	59,926.65	0.36	0.31
ROYAL BANK OF CANADA NY CERT DEPOS DTD 04/21/2020 0.980% 10/21/2020	78012UVH5	50,000,000.00	ROYAL		100.27	50,132,679.00	132,679.00	132,679.00	0.40	0.31
NORDEA BANK ABP NEW YORK CERT DEPOS DTD 05/06/2020 0.300% 11/04/2020	65558TXX8	50,000,000.00	CASTLE		99.99	49,995,576.00	(4,424.00)	(4,424.00)	0.44	0.32
NORDEA BANK ABP NEW YORK CERT DEPOS DTD 05/06/2020 0.300% 11/06/2020	65558TXW0	50,000,000.00	CASTLE		99.99	49,995,520.45	(4,479.55)	(4,479.55)	0.45	0.32
SWEDBANK NY CERT DEPOS DTD 05/07/2020 0.250% 11/09/2020	87019VE52	25,000,000.00	SWEDBK		99.97	24,992,033.80	(7,966.20)	(7,966.20)	0.46	0.32
TORONTO DOMINION BANK NY CERT DEPOS DTD 05/13/2020 0.310% 12/16/2020	89114NKW4	50,000,000.00	TOR DOM		99.95	49,974,915.60	(25,084.40)	(25,084.40)	0.56	0.40
US BANK NATL ASSOC CERT DEPOS DTD 05/06/2020 0.280% 01/04/2021	90333V3M0	25,000,000.00	US BANK		99.93	24,981,700.45	(18,299.55)	(18,299.55)	0.61	0.40
TORONTO DOMINION BANK NY CERT DEPOS DTD 05/20/2020 0.260% 01/04/2021	89114NKZ7	50,000,000.00	TOR DOM		99.91	49,957,318.60	(42,681.40)	(42,681.40)	0.61	0.40
WELLS FARGO BANK NA CERT DEPOS DTD 01/09/2020 1.800% 02/01/2021	95001KFR0	25,000,000.00	WELLSFAR		100.96	25,239,964.20	239,964.20	239,964.20	0.69	0.39



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description</b> <b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>Broker</b>	<b>Next Call Date</b>	<b>Market Price</b>	<b>Market Value</b>	<b>Unreal G/L On Cost</b>	<b>Unreal G/L Amort Cost</b>	<b>Effective Duration</b>	<b>YTM at Mkt</b>
<b>Certificate of Deposit</b>										
SVENSKA HANDELSBANKEN NY CERT DEPOS DTD 03/03/2020 1.150% 02/01/2021	86959RFR6	50,000,000.00	SVENSKA		100.51	50,257,241.55	257,241.55	257,241.55	0.69	0.39
US BANK NATL ASSOC CERT DEPOS DTD 05/06/2020 0.320% 02/01/2021	90333V3L2	50,000,000.00	US BANK		99.95	49,972,492.05	(27,507.95)	(27,507.95)	0.69	0.40
ROYAL BANK OF CANADA NY CERT DEPOS DTD 03/02/2020 0.980% 03/01/2021	78012UTC9	50,000,000.00	ROYAL		100.38	50,190,524.70	190,524.70	190,524.70	0.77	0.48
TORONTO DOMINION BANK NY CERT DEPOS DTD 03/02/2020 1.000% 03/01/2021	89114NH81	50,000,000.00	TOR DOM		100.40	50,198,154.35	198,154.35	198,154.35	0.77	0.48
ROYAL BANK OF CANADA NY CERT DEPOS DTD 05/20/2020 0.310% 05/03/2021	78012UWD3	50,000,000.00	RBC CAP		99.84	49,920,301.05	(79,698.95)	(79,698.95)	0.94	0.48
NORDEA BANK ABP NEW YORK CERT DEPOS DTD 05/20/2020 0.380% 05/19/2021	65558TYQ2	50,000,000.00	CHASE		99.90	49,950,904.30	(49,095.70)	(49,095.70)	0.99	0.48
<b>Security Type Sub-Total</b>		<b>1,400,000,000.00</b>				<b>1,401,999,967.58</b>	<b>1,999,967.58</b>	<b>1,999,967.58</b>	<b>0.41</b>	<b>0.28</b>
<b>Bank Note</b>										
US BANK NA CINCINNATI CALLABLE BANK NOTE DTD 07/24/2018 3.050% 07/24/2020	90331HNU3	10,000,000.00	BARCLAYS	06/24/20	100.12	10,012,460.00	17,260.00	12,808.02	0.07	2.19
US BANK NA CALLABLE BANK NOTE DTD 10/24/2017 2.050% 10/23/2020	90331HNG4	40,000,000.00	MORGANST	09/23/20	100.46	40,184,080.00	192,080.00	185,132.05	0.32	0.89
WELLS FARGO BANK NA BANK NOTE DTD 01/23/2018 2.600% 01/15/2021	94988J5N3	10,000,000.00	WELLSFAR		101.30	10,130,140.00	56,340.00	97,843.65	0.62	0.51
US BANK NA CINCINNATI CALLABLE BANK NOTE DTD 04/26/2018 3.150% 04/26/2021	90331HNP4	15,000,000.00	US BANK	03/26/21	102.25	15,337,020.00	337,920.00	337,290.16	0.82	0.66
WELLS FARGO (CALLABLE, FLOATING) NOTE DTD 07/23/2018 1.543% 07/23/2021	94988J5O6	2,000,000.00	JPMCHAS	07/23/20	99.97	1,999,456.00	14,076.00	12,651.97	0.15	1.54



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>Broker</b>	<b>Next Call Date</b>	<b>Market Price</b>	<b>Market Value</b>	<b>Unreal G/L On Cost</b>	<b>Unreal G/L Amort Cost</b>	<b>Effective Duration</b>	<b>YTM at Mkt</b>
<b>Bank Note</b>										
WELLS FARGO (CALLABLE, FLOATING) NOTE DTD 07/23/2018 1.543% 07/23/2021	94988J5O6	4,420,000.00	WELLS_F	07/23/20	99.97	4,418,797.76	16,477.76	15,217.72	0.15	1.54
WELLS FARGO (CALLABLE, FLOATING) NOTE DTD 07/23/2018 1.543% 07/23/2021	94988J5O6	5,050,000.00	CITIGRP	07/23/20	99.97	5,048,626.40	18,826.40	17,386.76	0.15	1.54
US BANK BANK NOTE (CALLABLE) DTD 11/16/2018 3.450% 11/16/2021	90331HMX7	10,000,000.00	MORGANST	10/15/21	103.96	10,396,360.00	410,160.00	403,071.13	1.36	0.72
US BANK NA CINCINNATI BKNT (CALLABLE) DTD 01/21/2020 1.800% 01/21/2022	90331HPJ6	8,000,000.00	MORGANST	12/21/21	101.88	8,150,504.00	153,304.00	152,798.39	1.54	0.65
US BANK NA CINCINNATI (CALLABLE) CORP NT DTD 05/23/2019 2.650% 05/23/2022	90331HPC1	7,000,000.00	BARCLAYS	04/22/22	103.88	7,271,936.00	279,356.00	276,817.22	1.86	0.67
WELLS FARGO BANK NA CALLABLE BANK NOTE DTD 09/11/2019 2.082% 09/09/2022	94988J6A0	20,000,000.00	WELLSFAR	09/09/21	101.39	20,277,060.00	277,060.00	277,060.00	1.26	1.46

<b>Security Type Sub-Total</b>		<b>131,470,000.00</b>				<b>133,226,440.16</b>	<b>1,772,860.16</b>	<b>1,788,077.07</b>	<b>0.75</b>	<b>1.04</b>
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<b>Asset-Backed Security</b>										
HAROT 2019-1 A2 DTD 02/27/2019 2.750% 09/20/2021	43814WAB1	3,069,345.55	BK AMER		100.61	3,088,056.89	18,909.01	18,811.86	0.30	2.28
TAOT 2019-A A2A DTD 02/13/2019 2.830% 10/15/2021	89239AAB9	1,586,919.68	SOC GEN		100.48	1,594,542.92	7,767.33	7,697.28	0.23	2.47
JDOT 2019-A A2 DTD 03/13/2019 2.850% 12/15/2021	47789JAB2	2,228,496.70	CITI		100.31	2,235,444.48	7,049.40	7,004.44	0.24	2.64
MBALT 2019-B A2 DTD 11/20/2019 2.010% 12/15/2021	58769QAB7	2,757,840.78	WELLSFAR		100.40	2,768,876.83	11,181.11	11,143.89	0.45	1.75
HAROT 2019-2 A2 DTD 05/29/2019 2.570% 12/21/2021	43815MAB2	7,886,154.36	JPMCHASE		100.80	7,949,148.96	63,007.21	63,002.24	0.39	2.05
TAOT 2019-B A2A DTD 05/08/2019 2.590% 02/15/2022	89239JAB0	7,247,838.88	BAML		100.65	7,294,678.76	46,918.16	46,888.05	1.67	2.20
MBALT 2020-A A2 DTD 01/29/2020 1.820% 03/15/2022	58770FAB8	3,000,000.00	MUFG		100.44	3,013,292.70	13,416.00	13,396.30	1.76	1.57



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description</b>	<b>CUSIP</b>	<b>Par</b>	<b>Broker</b>	<b>Next Call Date</b>	<b>Market Price</b>	<b>Market Value</b>	<b>Unreal G/L On Cost</b>	<b>Unreal G/L Amort Cost</b>	<b>Effective Duration</b>	<b>YTM at Mkt</b>
<b>Asset-Backed Security</b>										
TAOT 2019-C A2A DTD 08/14/2019 2.000% 04/15/2022	89238UAB6	3,601,192.75	JPM		100.64	3,624,171.24	23,145.94	23,095.79	0.46	1.65
HAROT 2019-3 A2 DTD 08/27/2019 1.900% 04/15/2022	43815NAB0	4,276,274.62	SOCGEN		100.53	4,298,888.42	22,913.14	22,826.33	0.54	1.61
JOHN DEERE OWNER TRUST DTD 07/24/2019 2.280% 05/16/2022	477870AB5	3,612,674.75	RBC		100.34	3,624,909.07	12,248.04	12,243.86	1.92	2.10
MBART 2019-1 A2A DTD 09/25/2019 2.040% 06/15/2022	58769TAB1	5,793,853.90	MIZUHO		100.56	5,826,072.36	32,772.35	32,633.04	0.51	1.76
HAROT 2019-4 A2 DTD 11/26/2019 1.860% 06/20/2022	43813VAB4	8,000,000.00	CITI		100.85	8,068,057.60	68,552.00	68,452.80	0.78	1.44
HART 2019-B A2 DTD 11/06/2019 1.930% 07/15/2022	44891JAB4	2,499,156.67	RBC CAP		100.67	2,515,954.50	16,952.53	16,919.76	0.50	1.61
TAOT 2019-D A2 DTD 11/13/2019 1.920% 07/15/2022	89233MAB9	7,000,000.00	BARCLAYS		100.66	7,046,389.00	46,906.30	46,799.66	0.54	1.60
MBALT 2019-B A3 DTD 11/20/2019 2.000% 10/17/2022	58769OAC5	2,500,000.00	WELLSFAR		101.19	2,529,824.25	30,221.75	30,149.14	1.38	1.49
HAROT 2020-1 A2 DTD 02/26/2020 1.630% 10/21/2022	43813RAB3	8,500,000.00	JPM_CHAS		100.97	8,582,367.55	83,228.60	83,143.21	0.89	1.22
TAOT 2020-A A2 DTD 02/12/2020 1.670% 11/15/2022	89232HAB1	12,000,000.00	MUFG		100.95	12,114,074.40	114,222.00	114,205.88	0.85	1.28
MBALT 2020-A A3 DTD 01/29/2020 1.840% 12/15/2022	58770FAC6	5,000,000.00	MUFG		101.14	5,056,857.00	57,516.00	57,438.25	1.37	1.38
JOHN DEERE OWNER TRUST OTHER ABS DTD 03/11/2020 1.010% 01/15/2023	47789KAB9	4,500,000.00	BOFA		99.45	4,475,199.60	(24,482.25)	(24,507.33)	2.60	1.22
HAROT 2019-1 A3 DTD 02/27/2019 2.830% 03/20/2023	43814WAC9	4,000,000.00	BK AMER		102.87	4,114,614.00	114,721.20	114,687.93	1.28	1.78
HAROT 2019-2 A3 DTD 05/29/2019 2.520% 06/21/2023	43815MAC0	8,500,000.00	JPMCHASE		102.75	8,733,636.10	233,953.15	233,874.31	1.48	1.60
JDOT 2019-A A3 DTD 03/13/2019 2.910% 07/15/2023	47789JAD8	4,500,000.00	CITI		101.56	4,570,146.45	70,699.50	70,543.88	1.16	2.39
TAOT 2019-A A3 DTD 02/13/2019 2.910% 07/15/2023	89239AAD5	8,000,000.00	SOC GEN		102.72	8,217,365.60	218,823.20	218,394.87	1.23	2.01
HAROT 2019-3 A3 DTD 08/27/2019 1.780% 08/15/2023	43815NAC8	4,750,000.00	SOCGEN		101.68	4,829,915.90	79,955.32	79,947.73	1.73	1.24



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Security Type/Description</b> <b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>Broker</b>	<b>Next Call Date</b>	<b>Market Price</b>	<b>Market Value</b>	<b>Unreal G/L On Cost</b>	<b>Unreal G/L Amort Cost</b>	<b>Effective Duration</b>	<b>YTM at Mkt</b>
<b>Asset-Backed Security</b>										
TAOT 2019-B A3 DTD 05/08/2019 2.570% 08/15/2023	89239JAD6	5,000,000.00	BAML		102.40	5,119,947.50	120,745.00	120,545.62	1.43	1.80
TAOT 2019-C A3 DTD 08/14/2019 1.910% 09/15/2023	89238UAD2	5,000,000.00	JPM		101.73	5,086,313.50	86,354.50	86,346.48	1.58	1.37
BAACT 2018-A2 A2 DTD 05/17/2018 3.000% 09/15/2023	05522RCZ9	10,000,000.00	TOR DOM		102.25	10,225,194.00	54,881.50	83,542.12	3.14	2.29
JDOT 2019-B A3 DTD 07/24/2019 2.210% 12/15/2023	477870AC3	2,500,000.00	RBC		100.87	2,521,701.25	22,232.00	22,128.50	1.49	1.96
TAOT 2019-D A3 DTD 11/13/2019 1.920% 01/16/2024	89233MAD5	4,500,000.00	BARCLAYS		101.93	4,586,710.95	87,035.85	86,993.03	1.61	1.38
HAROT 2019-4 A3 DTD 11/26/2019 1.830% 01/18/2024	43813VAC2	9,000,000.00	CITI		101.97	9,176,877.00	178,480.80	178,281.65	2.06	1.28
HART 2019-B A3 DTD 11/06/2019 1.940% 02/15/2024	44891JAC2	3,750,000.00	RBC CAP		101.84	3,819,150.75	69,323.62	69,300.60	1.67	1.43
MBART 2019-1 A3 DTD 09/25/2019 1.930% 03/15/2024	58769TAD7	7,000,000.00	MIZUHO		101.61	7,112,897.40	113,861.30	113,713.73	1.67	1.49
HAROT 2020-1 A3 DTD 02/26/2020 1.610% 04/22/2024	43813RAC1	10,000,000.00	JPM_CHAS		102.25	10,225,404.00	227,364.00	227,239.97	2.10	1.02
TAOT 2020-A A3 DTD 02/12/2020 1.660% 05/15/2024	89232HAC9	15,000,000.00	MUFG		101.70	15,254,656.50	255,739.50	255,662.84	2.02	1.22
JOHN DEERE OWNER TRUST DTD 03/11/2020 1.100% 08/15/2024	47789KAC7	5,000,000.00	BOFA		98.76	4,938,139.00	(61,555.50)	(61,570.98)	2.23	1.40
CHAIT 2012-A7 A7 DTD 10/09/2012 2.160% 09/15/2024	161571FQ2	10,000,000.00	JPMCHASE		103.53	10,352,635.00	292,478.75	300,954.71	4.11	1.31
CHAIT 2020-A1 A1 DTD 02/18/2020 1.530% 01/15/2025	161571HP2	8,000,000.00	JPMCHASE		102.18	8,174,432.80	176,265.60	176,159.29	4.47	1.05
<b>Security Type Sub-Total</b>		<b>219,559,748.64</b>				<b>222,766,544.23</b>	<b>2,993,803.91</b>	<b>3,028,090.73</b>	<b>1.66</b>	<b>1.57</b>
<b>Managed Account Sub-Total</b>		<b>8,512,954,748.64</b>				<b>8,659,284,614.73</b>	<b>161,860,578.40</b>	<b>147,824,380.38</b>	<b>1.32</b>	<b>0.36</b>



**Managed Account Fair Market Value & Analytics**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

<b>Securities Sub-Total</b>	<b>\$8,512,954,748.64</b>	<b>\$8,659,284,614.73</b>	<b>\$161,860,578.40</b>	<b>\$147,824,380.38</b>	<b>1.32</b>	<b>0.36%</b>
<b>Accrued Interest</b>		<b>\$28,240,426.80</b>				
<b>Total Investments</b>		<b>\$8,687,525,041.53</b>				



**Managed Account Security Transactions & Interest**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
<b>BUY</b>										
04/27/20	05/06/20	FHLMC (CALLABLE) NOTES DTD 05/06/2020 0.700% 05/06/2025	3134GVPR3	25,000,000.00	(25,000,000.00)	0.00	(25,000,000.00)			
04/30/20	05/06/20	FEDERAL FARM CREDIT BANK NOTES DTD 05/06/2020 0.250% 05/06/2022	3133ELYR9	100,000,000.00	(99,873,000.00)	0.00	(99,873,000.00)			
05/01/20	05/04/20	FREDDIE MAC NOTES (CALLABLE) DTD 05/04/2020 0.450% 05/04/2023	3134GVRD2	50,000,000.00	(50,000,000.00)	0.00	(50,000,000.00)			
05/05/20	05/06/20	NORDEA BANK ABP NEW YORK CERT DEPOS DTD 05/06/2020 0.300% 11/04/2020	65558TXX8	50,000,000.00	(50,000,000.00)	0.00	(50,000,000.00)			
05/05/20	05/06/20	US BANK NATL ASSOC CERT DEPOS DTD 05/06/2020 0.280% 01/04/2021	90333V3M0	25,000,000.00	(25,000,000.00)	0.00	(25,000,000.00)			
05/05/20	05/06/20	NORDEA BANK ABP NEW YORK CERT DEPOS DTD 05/06/2020 0.300% 11/06/2020	65558TXW0	50,000,000.00	(50,000,000.00)	0.00	(50,000,000.00)			
05/05/20	05/06/20	US BANK NATL ASSOC CERT DEPOS DTD 05/06/2020 0.320% 02/01/2021	90333V3L2	50,000,000.00	(50,000,000.00)	0.00	(50,000,000.00)			
05/05/20	05/07/20	FREDDIE MAC NOTES DTD 05/07/2020 0.375% 05/05/2023	3137EAER6	100,000,000.00	(99,958,000.00)	0.00	(99,958,000.00)			
05/05/20	05/07/20	SWEDBANK NY CERT DEPOS DTD 05/07/2020 0.250% 11/09/2020	87019VE52	25,000,000.00	(25,000,000.00)	0.00	(25,000,000.00)			
05/06/20	05/07/20	JP MORGAN SECURITIES LLC COMM PAPER DTD 05/07/2020 0.000% 11/18/2020	46640PLJ0	25,000,000.00	(24,952,604.17)	0.00	(24,952,604.17)			
05/06/20	05/08/20	COOPERATIEVE RABOBANK U.A. COMM PAPER DTD 05/08/2020 0.000% 10/08/2020	21687AK85	25,000,000.00	(24,971,312.50)	0.00	(24,971,312.50)			
05/06/20	05/08/20	COOPERATIEVE RABOBANK U.A. COMM PAPER DTD 05/08/2020 0.000% 10/14/2020	21687AKE2	25,000,000.00	(24,970,187.50)	0.00	(24,970,187.50)			
05/06/20	05/08/20	COOPERATIEVE RABOBANK U.A. COMM PAPER DTD 05/08/2020 0.000% 10/02/2020	21687AK28	25,000,000.00	(24,972,437.50)	0.00	(24,972,437.50)			



**Managed Account Security Transactions & Interest**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
<b>BUY</b>										
05/07/20	05/08/20	TORONTO DOMINION BANK NY CERT DEPOS DTD 05/08/2020 0.210% 09/09/2020	89114NKP9	50,000,000.00	(50,000,000.00)	0.00	(50,000,000.00)			
05/12/20	05/13/20	BNP PARIBAS NY BRANCH COMM PAPER DTD 05/13/2020 0.000% 08/26/2020	09659BHS2	40,000,000.00	(39,973,166.67)	0.00	(39,973,166.67)			
05/12/20	05/13/20	TORONTO DOMINION BANK NY CERT DEPOS DTD 05/13/2020 0.310% 12/16/2020	89114NKW4	50,000,000.00	(50,000,000.00)	0.00	(50,000,000.00)			
05/12/20	05/20/20	FHLMC (CALLABLE) NOTES DTD 05/20/2020 0.560% 05/20/2024	3134GVTN8	25,000,000.00	(24,990,000.00)	0.00	(24,990,000.00)			
05/12/20	05/20/20	FHLMC (CALLABLE) NOTES DTD 05/20/2020 0.510% 05/20/2024	3134GVUY2	25,000,000.00	(25,000,000.00)	0.00	(25,000,000.00)			
05/13/20	05/14/20	COOPERATIVE RABOBANK U.A. COMM PAPER DTD 05/14/2020 0.000% 02/01/2021	21687AP15	50,000,000.00	(49,879,458.33)	0.00	(49,879,458.33)			
05/13/20	05/15/20	US BANK NA CINCINNATI FLOATING CORP NOT DTD 05/23/2019 0.799% 05/23/2022	90331HPD9	10,000,000.00	(9,933,800.00)	(47,761.88)	(9,981,561.88)			
05/14/20	05/18/20	US BANK NA CINCINNATI FLOATING CORP NOT DTD 05/23/2019 0.799% 05/23/2022	90331HPD9	10,000,000.00	(9,932,700.00)	(49,530.83)	(9,982,230.83)			
05/18/20	05/20/20	FHLMC (CALLABLE) NOTES DTD 05/20/2020 0.500% 05/20/2024	3134GVXC7	25,000,000.00	(25,000,000.00)	0.00	(25,000,000.00)			
05/18/20	05/20/20	FHLMC (CALLABLE) NOTES DTD 05/20/2020 0.590% 05/20/2024	3134GVXD5	25,000,000.00	(25,000,000.00)	0.00	(25,000,000.00)			
05/19/20	05/20/20	TORONTO DOMINION BANK NY CERT DEPOS DTD 05/20/2020 0.260% 01/04/2021	89114NKZ7	50,000,000.00	(50,000,000.00)	0.00	(50,000,000.00)			
05/19/20	05/20/20	ROYAL BANK OF CANADA NY CERT DEPOS DTD 05/20/2020 0.310% 05/03/2021	78012UWD3	50,000,000.00	(50,000,000.00)	0.00	(50,000,000.00)			
05/19/20	05/20/20	NORDEA BANK ABP NEW YORK CERT DEPOS DTD 05/20/2020 0.380% 05/19/2021	65558TYQ2	50,000,000.00	(50,000,000.00)	0.00	(50,000,000.00)			



**Managed Account Security Transactions & Interest**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
<b>BUY</b>										
05/20/20	05/22/20	FANNIE MAE NOTES DTD 05/22/2020 0.250% 05/22/2023	3135G04Q3	100,000,000.00	(99,699,000.00)	0.00	(99,699,000.00)			
05/21/20	05/21/20	CALIFORNIA ASSET MANAGEMENT PROGRAM	CAMPMF025	18,000,000.00	(18,000,000.00)	0.00	(18,000,000.00)			
05/27/20	05/27/20	FIDELITY GOV'T MM FUND 2642	31607A703	210,000,000.00	(210,000,000.00)	0.00	(210,000,000.00)			
05/27/20	05/27/20	FEDERATED GOVT OBLIGATIONS FUND	608919718	150,000,000.00	(150,000,000.00)	0.00	(150,000,000.00)			

**Transaction Type Sub-Total** **1,513,000,000.00 (1,512,105,666.67) (97,292.71) (1,512,202,959.38)**

<b>INTEREST</b>										
05/10/20	05/10/20	JOHNSON & JOHNSON CORP NOTE DTD 11/10/2017 1.950% 11/10/2020	478160CH5	3,000,000.00	0.00	29,250.00	29,250.00			
05/15/20	05/15/20	TAOT 2020-A A3 DTD 02/12/2020 1.660% 05/15/2024	89232HAC9	15,000,000.00	0.00	20,750.00	20,750.00			
05/15/20	05/15/20	JDOT 2019-B A3 DTD 07/24/2019 2.210% 12/15/2023	477870AC3	2,500,000.00	0.00	4,604.17	4,604.17			
05/15/20	05/15/20	TAOT 2019-A A3 DTD 02/13/2019 2.910% 07/15/2023	89239AAD5	8,000,000.00	0.00	19,400.00	19,400.00			
05/15/20	05/15/20	MBALT 2020-A A3 DTD 01/29/2020 1.840% 12/15/2022	58770FAC6	5,000,000.00	0.00	7,666.67	7,666.67			
05/15/20	05/15/20	US TREASURY NOTES DTD 05/15/2015 2.125% 05/15/2025	912828XB1	50,000,000.00	0.00	531,250.00	531,250.00			
05/15/20	05/15/20	US TREASURY NOTES DTD 05/15/2014 2.500% 05/15/2024	912828WJ5	100,000,000.00	0.00	1,250,000.00	1,250,000.00			
05/15/20	05/15/20	MBALT 2020-A A2 DTD 01/29/2020 1.820% 03/15/2022	58770FAB8	0.00	0.00	4,550.00	4,550.00			
05/15/20	05/15/20	JDOT 2019-A A2 DTD 03/13/2019 2.850% 12/15/2021	47789JAB2	3,589,245.14	0.00	6,505.16	6,505.16			
05/15/20	05/15/20	MBALT 2019-B A2 DTD 11/20/2019 2.010% 12/15/2021	58769QAB7	3,000,000.00	0.00	4,880.41	4,880.41			
05/15/20	05/15/20	MBART 2019-1 A2A DTD 09/25/2019 2.040% 06/15/2022	58769TAB1	6,500,000.00	0.00	10,609.23	10,609.23			
05/15/20	05/15/20	CHAIT 2020-A1 A1 DTD 02/18/2020 1.530% 01/15/2025	161571HP2	8,000,000.00	0.00	10,200.00	10,200.00			



**Managed Account Security Transactions & Interest**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
<b>INTEREST</b>										
05/15/20	05/15/20	TAOT 2019-C A2A DTD 08/14/2019 2.000% 04/15/2022	89238UAB6	4,250,000.00	0.00	6,530.65	6,530.65			
05/15/20	05/15/20	JOHN DEERE OWNER TRUST OTHER ABS DTD 03/11/2020 1.010% 01/15/2023	47789KAB9	4,500,000.00	0.00	3,787.50	3,787.50			
05/15/20	05/15/20	MBALT 2019-B A3 DTD 11/20/2019 2.000% 10/17/2022	58769QAC5	2,500,000.00	0.00	4,166.67	4,166.67			
05/15/20	05/15/20	HART 2019-B A2 DTD 11/06/2019 1.930% 07/15/2022	44891JAB4	2,500,000.00	0.00	4,020.83	4,020.83			
05/15/20	05/15/20	JDOT 2019-A A3 DTD 03/13/2019 2.910% 07/15/2023	47789JAD8	4,500,000.00	0.00	10,912.50	10,912.50			
05/15/20	05/15/20	TAOT 2019-C A3 DTD 08/14/2019 1.910% 09/15/2023	89238UAD2	5,000,000.00	0.00	7,958.34	7,958.34			
05/15/20	05/15/20	TAOT 2019-D A2 DTD 11/13/2019 1.920% 07/15/2022	89233MAB9	7,000,000.00	0.00	11,200.00	11,200.00			
05/15/20	05/15/20	MBART 2019-1 A3 DTD 09/25/2019 1.930% 03/15/2024	58769TAD7	7,000,000.00	0.00	11,316.67	11,316.67			
05/15/20	05/15/20	HART 2019-B A3 DTD 11/06/2019 1.940% 02/15/2024	44891JAC2	3,750,000.00	0.00	6,062.50	6,062.50			
05/15/20	05/15/20	BAACT 2018-A2 A2 DTD 05/17/2018 3.000% 09/15/2023	05522RCZ9	10,000,000.00	0.00	25,000.00	25,000.00			
05/15/20	05/15/20	TAOT 2019-B A2A DTD 05/08/2019 2.590% 02/15/2022	89239JAB0	9,702,695.93	0.00	17,262.91	17,262.91			
05/15/20	05/15/20	CHAIT 2012-A7 A7 DTD 10/09/2012 2.160% 09/15/2024	161571FQ2	10,000,000.00	0.00	18,000.00	18,000.00			
05/15/20	05/15/20	TAOT 2019-B A3 DTD 05/08/2019 2.570% 08/15/2023	89239JAD6	5,000,000.00	0.00	10,708.34	10,708.34			
05/15/20	05/15/20	HAROT 2019-3 A3 DTD 08/27/2019 1.780% 08/15/2023	43815NAC8	4,750,000.00	0.00	7,045.83	7,045.83			
05/15/20	05/15/20	TAOT 2019-A A2A DTD 02/13/2019 2.830% 10/15/2021	89239AAB9	2,431,981.05	0.00	4,352.59	4,352.59			
05/15/20	05/15/20	TAOT 2019-D A3 DTD 11/13/2019 1.920% 01/16/2024	89233MAD5	4,500,000.00	0.00	7,200.00	7,200.00			



**Managed Account Security Transactions & Interest**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
<b>INTEREST</b>										
05/15/20	05/15/20	TAOT 2020-A A2 DTD 02/12/2020 1.670% 11/15/2022	89232HAB1	12,000,000.00	0.00	16,700.00	16,700.00			
05/15/20	05/15/20	HAROT 2019-3 A2 DTD 08/27/2019 1.900% 04/15/2022	43815NAB0	4,500,000.00	0.00	7,125.00	7,125.00			
05/15/20	05/15/20	JOHN DEERE OWNER TRUST DTD 03/11/2020 1.100% 08/15/2024	47789KAC7	5,000,000.00	0.00	4,583.34	4,583.34			
05/16/20	05/16/20	JOHN DEERE OWNER TRUST DTD 07/24/2019 2.280% 05/16/2022	477870AB5	5,000,000.00	0.00	8,369.09	8,369.09			
05/16/20	05/16/20	US BANK BANK NOTE (CALLABLE) DTD 11/16/2018 3.450% 11/16/2021	90331HNX7	10,000,000.00	0.00	172,500.00	172,500.00			
05/17/20	05/17/20	FHLMC NOTES DTD 11/15/2017 1.875% 11/17/2020	3137EAEK1	50,000,000.00	0.00	468,750.00	468,750.00			
05/18/20	05/18/20	HAROT 2019-1 A3 DTD 02/27/2019 2.830% 03/20/2023	43814WAC9	4,000,000.00	0.00	9,433.33	9,433.33			
05/18/20	05/18/20	HAROT 2019-4 A3 DTD 11/26/2019 1.830% 01/18/2024	43813VAC2	9,000,000.00	0.00	13,725.00	13,725.00			
05/18/20	05/18/20	HAROT 2019-4 A2 DTD 11/26/2019 1.860% 06/20/2022	43813VAB4	8,000,000.00	0.00	12,400.00	12,400.00			
05/18/20	05/18/20	HAROT 2019-1 A2 DTD 02/27/2019 2.750% 09/20/2021	43814WAB1	4,546,478.07	0.00	8,080.62	8,080.62			
05/19/20	05/19/20	FEDERAL HOME LOAN BANKS NOTES DTD 11/08/2019 1.625% 11/19/2021	3130AHJY0	30,000,000.00	0.00	258,645.84	258,645.84			
05/21/20	05/21/20	HAROT 2020-1 A3 DTD 02/26/2020 1.610% 04/22/2024	43813RAC1	10,000,000.00	0.00	13,416.67	13,416.67			
05/21/20	05/21/20	HAROT 2019-2 A2 DTD 05/29/2019 2.570% 12/21/2021	43815MAB2	10,643,383.34	0.00	18,734.01	18,734.01			
05/21/20	05/21/20	HAROT 2020-1 A2 DTD 02/26/2020 1.630% 10/21/2022	43813RAB3	8,500,000.00	0.00	11,545.83	11,545.83			
05/21/20	05/21/20	HAROT 2019-2 A3 DTD 05/29/2019 2.520% 06/21/2023	43815MAC0	8,500,000.00	0.00	17,850.00	17,850.00			
05/23/20	05/23/20	US BANK NA CINCINNATI (CALLABLE) CORP NT DTD 05/23/2019 2.650% 05/23/2022	90331HPC1	7,000,000.00	0.00	92,750.00	92,750.00			



**Managed Account Security Transactions & Interest**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
<b>INTEREST</b>											
	05/24/20	05/24/20	INTER-AMERICAN DEVEL BK CORPORATE NOTES DTD 04/24/2020 0.500% 05/24/2023	4581X0DM7	20,000,000.00	0.00	8,333.34	8,333.34			
	05/26/20	05/26/20	FEDERAL FARM CREDIT BANK NOTES DTD 11/26/2018 2.875% 05/26/2021	3133EJW70	75,000,000.00	0.00	1,078,125.00	1,078,125.00			
	05/26/20	05/26/20	US BANK NA CINCINNATI FLOATING CORP NOT DTD 05/23/2019 0.799% 05/23/2022	90331HPD9	20,000,000.00	0.00	108,496.12	108,496.12			
	05/29/20	05/29/20	FEDERATED GOVT OBLIGATIONS FUND	608919718	0.00	0.00	65,501.82	65,501.82			
	05/29/20	05/29/20	STONECASTLE FICA	FICAMF003	0.00	0.00	12,123.29	12,123.29			
	05/29/20	05/29/20	BANK OF THE WEST MONEY MARKET FUND	BKOFWEST7	0.00	0.00	110,109.29	110,109.29			
	05/29/20	05/29/20	CALIFORNIA ASSET MANAGEMENT PROGRAM	CAMPMF025	0.00	0.00	162,878.19	162,878.19			
	05/29/20	05/29/20	FIDELITY GOV'T MM FUND 2642	31607A703	0.00	0.00	45,433.56	45,433.56			
	05/31/20	05/31/20	US TREASURY N/B NOTES DTD 05/31/2016 1.625% 05/31/2023	912828R69	50,000,000.00	0.00	406,250.00	406,250.00			
	05/31/20	05/31/20	US TREASURY NOTES DTD 05/31/2014 2.000% 05/31/2021	912828WN6	50,000,000.00	0.00	500,000.00	500,000.00			
	05/31/20	05/31/20	US TREASURY NOTES DTD 11/30/2015 1.625% 11/30/2020	912828M98	25,000,000.00	0.00	203,125.00	203,125.00			
	05/31/20	05/31/20	US TREASURY NOTES DTD 12/01/2014 1.875% 11/30/2021	912828G53	25,000,000.00	0.00	234,375.00	234,375.00			
	05/31/20	05/31/20	US TREASURY NOTES DTD 05/31/2016 1.375% 05/31/2021	912828R77	25,000,000.00	0.00	171,875.00	171,875.00			

<b>Transaction Type Sub-Total</b>					<b>768,663,783.53</b>	<b>0.00</b>	<b>6,296,425.31</b>	<b>6,296,425.31</b>			
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<b>MATURITY</b>											
	05/01/20	05/01/20	INTL BANK OF RECON AND DEV DISC NOTE DTD 05/01/2019 0.000% 05/01/2020	459052WG7	50,000,000.00	50,000,000.00	0.00	50,000,000.00	1,060,944.44	0.00	
	05/01/20	05/01/20	INTL BANK OF RECON AND DEV DISC NOTE DTD 05/01/2019 0.000% 05/01/2020	459052WG7	50,000,000.00	50,000,000.00	0.00	50,000,000.00	1,054,500.00	0.00	



**Managed Account Security Transactions & Interest**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
<b>MATURITY</b>										
05/01/20	05/01/20	SVENSKA HANDELSBANKEN NY CERT DEPOS DTD 01/23/2020 1.660% 05/01/2020	86959REX4	50,000,000.00	50,000,000.00	228,250.00	50,228,250.00	0.00	0.00	
05/04/20	05/04/20	IBRD DISCOUNT NOTE -- 0.000% 05/04/2020	459052WK8	30,000,000.00	30,000,000.00	0.00	30,000,000.00	67,683.33	0.00	
05/06/20	05/06/20	TOYOTA MOTOR CREDIT CORP COMM PAPER DTD 12/06/2019 0.000% 05/06/2020	89233GE69	35,000,000.00	35,000,000.00	0.00	35,000,000.00	265,825.00	0.00	
05/06/20	05/06/20	NORDEA BANK ABP NEW YORK CERT DEPOS DTD 12/11/2019 1.850% 05/06/2020	65558TRD9	25,000,000.00	25,000,000.00	188,854.18	25,188,854.18	0.00	0.00	
05/07/20	05/07/20	NORDEA BANK ABP NEW YORK CERT DEPOS DTD 12/11/2019 1.850% 05/07/2020	65558TRG2	25,000,000.00	25,000,000.00	190,138.90	25,190,138.90	0.00	0.00	
05/07/20	05/07/20	BNP PARIBAS NY BRANCH COMM PAPER -- 0.000% 05/07/2020	09659BE71	50,000,000.00	50,000,000.00	0.00	50,000,000.00	211,833.33	0.00	
05/08/20	05/08/20	FFCB BONDS DTD 05/08/2017 1.550% 05/08/2020	3133EHJA2	25,000,000.00	25,000,000.00	193,750.00	25,193,750.00	13,725.00	0.00	
05/12/20	05/12/20	INTER-AMERICAN DEVEL BK NOTE DTD 04/12/2017 1.625% 05/12/2020	4581X0CX4	25,000,000.00	25,000,000.00	203,125.00	25,203,125.00	59,250.00	0.00	
05/20/20	05/20/20	FEDERAL FARM CREDIT BANKS DISC NOTE DTD 05/20/2019 0.000% 05/20/2020	313312XB1	30,698,000.00	30,698,000.00	0.00	30,698,000.00	545,349.97	0.00	
05/21/20	05/21/20	TORONTO DOMINION BANK NY CERT DEPOS DTD 01/09/2020 1.780% 05/21/2020	89114NFA8	50,000,000.00	50,000,000.00	328,805.55	50,328,805.55	0.00	0.00	
05/21/20	05/21/20	BNP PARIBAS NY BRANCH COMM PAPER -- 0.000% 05/21/2020	09659BEM8	50,000,000.00	50,000,000.00	0.00	50,000,000.00	280,972.22	0.00	
05/21/20	05/21/20	TOYOTA MOTOR CREDIT CORP COMM PAPER DTD 08/26/2019 0.000% 05/21/2020	89233GEM4	25,000,000.00	25,000,000.00	0.00	25,000,000.00	214,666.67	0.00	
05/24/20	05/24/20	BANK OF AMERICA CORP NT (FLOAT,CALLABLE) DTD 05/24/2019 2.033% 05/24/2020	06050TML3	15,000,000.00	15,000,000.00	76,228.13	15,076,228.13	0.00	0.00	



**Managed Account Security Transactions & Interest**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
<b>MATURITY</b>											
	05/28/20	05/28/20	FEDERAL HOME LOAN BANKS NOTES DTD 05/21/2018 2.625% 05/28/2020	3130AECJ7	50,000,000.00	50,000,000.00	656,250.00	50,656,250.00	18,000.00	0.00	
	05/31/20	05/31/20	US TREASURY NOTES DTD 05/31/2013 1.375% 05/31/2020	912828VF4	50,000,000.00	50,000,000.00	343,750.00	50,343,750.00	990,234.37	0.00	
	05/31/20	05/31/20	US TREASURY NOTES DTD 06/01/2015 1.500% 05/31/2020	912828XE5	50,000,000.00	50,000,000.00	375,000.00	50,375,000.00	1,033,203.12	0.00	

<b>Transaction Type Sub-Total</b>					<b>685,698,000.00</b>	<b>685,698,000.00</b>	<b>2,784,151.76</b>	<b>688,482,151.76</b>	<b>5,816,187.45</b>	<b>0.00</b>	
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<b>PAYDOWNS</b>											
	05/15/20	05/15/20	TAOT 2019-B A2A DTD 05/08/2019 2.590% 02/15/2022	89239JAB0	750,419.74	750,419.74	0.00	750,419.74	8.10	0.00	
	05/15/20	05/15/20	TAOT 2019-C A2A DTD 08/14/2019 2.000% 04/15/2022	89238UAB6	317,196.03	317,196.03	0.00	317,196.03	14.75	0.00	
	05/15/20	05/15/20	HAROT 2019-3 A2 DTD 08/27/2019 1.900% 04/15/2022	43815NAB0	223,725.38	223,725.38	0.00	223,725.38	15.66	0.00	
	05/15/20	05/15/20	MBALT 2019-B A2 DTD 11/20/2019 2.010% 12/15/2021	58769QAB7	155,834.55	155,834.55	0.00	155,834.55	8.20	0.00	
	05/15/20	05/15/20	JDOT 2019-A A2 DTD 03/13/2019 2.850% 12/15/2021	47789JAB2	510,517.10	510,517.10	0.00	510,517.10	23.28	0.00	
	05/15/20	05/15/20	HART 2019-B A2 DTD 11/06/2019 1.930% 07/15/2022	44891JAB4	843.33	843.33	0.00	843.33	0.05	0.00	
	05/15/20	05/15/20	TAOT 2019-A A2A DTD 02/13/2019 2.830% 10/15/2021	89239AAB9	258,700.88	258,700.88	0.00	258,700.88	23.49	0.00	
	05/15/20	05/15/20	MBART 2019-1 A2A DTD 09/25/2019 2.040% 06/15/2022	58769TAB1	446,871.30	446,871.30	0.00	446,871.30	42.72	0.00	
	05/16/20	05/16/20	JOHN DEERE OWNER TRUST DTD 07/24/2019 2.280% 05/16/2022	477870AB5	792,111.45	792,111.45	0.00	792,111.45	3.01	0.00	
	05/18/20	05/18/20	HAROT 2019-1 A2 DTD 02/27/2019 2.750% 09/20/2021	43814WAB1	456,742.33	456,742.33	0.00	456,742.33	29.41	0.00	
	05/21/20	05/21/20	HAROT 2019-2 A2 DTD 05/29/2019 2.570% 12/21/2021	43815MAB2	861,243.96	861,243.96	0.00	861,243.96	1.38	0.00	

<b>Transaction Type Sub-Total</b>					<b>4,774,206.05</b>	<b>4,774,206.05</b>	<b>0.00</b>	<b>4,774,206.05</b>	<b>170.05</b>	<b>0.00</b>	
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**Managed Account Security Transactions & Interest**

For the Month Ending **May 31, 2020**

**SAN BERNARDINO COUNTY - 76990800**

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
<b>SELL</b>										
05/06/20	05/06/20	FEDERATED GOVT OBLIGATIONS FUND	608919718	51,000,000.00	51,000,000.00	0.00	51,000,000.00	0.00	0.00	FIFO
05/06/20	05/06/20	FEDERATED GOVT OBLIGATIONS FUND	608919718	13,000,000.00	13,000,000.00	0.00	13,000,000.00	0.00	0.00	FIFO
05/06/20	05/06/20	FEDERATED GOVT OBLIGATIONS FUND	608919718	68,000,000.00	68,000,000.00	0.00	68,000,000.00	0.00	0.00	FIFO
05/06/20	05/06/20	FEDERATED GOVT OBLIGATIONS FUND	608919718	25,000,000.00	25,000,000.00	0.00	25,000,000.00	0.00	0.00	FIFO
05/06/20	05/06/20	FEDERATED GOVT OBLIGATIONS FUND	608919718	50,000,000.00	50,000,000.00	0.00	50,000,000.00	0.00	0.00	FIFO
05/06/20	05/06/20	FEDERATED GOVT OBLIGATIONS FUND	608919718	99,000,000.00	99,000,000.00	0.00	99,000,000.00	0.00	0.00	FIFO
05/06/20	05/06/20	FEDERATED GOVT OBLIGATIONS FUND	608919718	32,000,000.00	32,000,000.00	0.00	32,000,000.00	0.00	0.00	FIFO
05/07/20	05/07/20	FIDELITY GOV'T MM FUND 2642	31607A703	55,000,000.00	55,000,000.00	0.00	55,000,000.00	0.00	0.00	FIFO
05/07/20	05/07/20	FIDELITY GOV'T MM FUND 2642	31607A703	116,000,000.00	116,000,000.00	0.00	116,000,000.00	0.00	0.00	FIFO
05/11/20	05/11/20	FEDERATED GOVT OBLIGATIONS FUND	608919718	52,000,000.00	52,000,000.00	0.00	52,000,000.00	0.00	0.00	FIFO
05/13/20	05/13/20	FIDELITY GOV'T MM FUND 2642	31607A703	84,000,000.00	84,000,000.00	0.00	84,000,000.00	0.00	0.00	FIFO
05/13/20	05/13/20	FIDELITY GOV'T MM FUND 2642	31607A703	2,000,000.00	2,000,000.00	0.00	2,000,000.00	0.00	0.00	FIFO
05/14/20	05/14/20	FIDELITY GOV'T MM FUND 2642	31607A703	60,000,000.00	60,000,000.00	0.00	60,000,000.00	0.00	0.00	FIFO
05/20/20	05/20/20	FEDERATED GOVT OBLIGATIONS FUND	608919718	94,000,000.00	94,000,000.00	0.00	94,000,000.00	0.00	0.00	FIFO
05/20/20	05/20/20	FIDELITY GOV'T MM FUND 2642	31607A703	180,000,000.00	180,000,000.00	0.00	180,000,000.00	0.00	0.00	FIFO
05/22/20	05/22/20	FEDERATED GOVT OBLIGATIONS FUND	608919718	87,000,000.00	87,000,000.00	0.00	87,000,000.00	0.00	0.00	FIFO
05/22/20	05/22/20	FEDERATED GOVT OBLIGATIONS FUND	608919718	31,000,000.00	31,000,000.00	0.00	31,000,000.00	0.00	0.00	FIFO
05/28/20	05/28/20	FIDELITY GOV'T MM FUND 2642	31607A703	82,000,000.00	82,000,000.00	0.00	82,000,000.00	0.00	0.00	FIFO
05/28/20	05/28/20	FIDELITY GOV'T MM FUND 2642	31607A703	21,000,000.00	21,000,000.00	0.00	21,000,000.00	0.00	0.00	FIFO
05/28/20	05/28/20	FIDELITY GOV'T MM FUND 2642	31607A703	37,000,000.00	37,000,000.00	0.00	37,000,000.00	0.00	0.00	FIFO
<b>Transaction Type Sub-Total</b>				<b>1,239,000,000.00</b>	<b>1,239,000,000.00</b>	<b>0.00</b>	<b>1,239,000,000.00</b>	<b>0.00</b>	<b>0.00</b>	
<b>Managed Account Sub-Total</b>					<b>417,366,539.38</b>	<b>8,983,284.36</b>	<b>426,349,823.74</b>	<b>5,816,357.50</b>	<b>0.00</b>	
<b>Total Security Transactions</b>					<b>\$417,366,539.38</b>	<b>\$8,983,284.36</b>	<b>\$426,349,823.74</b>	<b>\$5,816,357.50</b>	<b>\$0.00</b>	

**APPENDIX H**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100