

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" with respect to tax consequences relating to the Bonds.

\$100,000,000
RIVERSIDE UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Election of 2016 General Obligation Bonds, Series A

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page but not otherwise defined will have the meanings assigned thereto as provided in the Official Statement.

The Riverside Unified School District (Riverside County, California) Election of 2016 General Obligation Bonds, Series A (the "Bonds"), were authorized at an election of the registered voters of the Riverside Unified School District (the "District") held on November 8, 2016, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of \$392,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to (i) finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, and (ii) pay the costs of issuance of the Bonds.

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

The Bonds will be issued in book-entry form only, initially registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds.

The Bonds will be dated as of their date of initial delivery and will be issued as current interest bonds, such that interest thereon will accrue from such date and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2017. The Bonds are issuable as fully registered bonds in denominations of \$5,000 principal amount or any integral multiple thereof.

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

The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds.

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

MATURITY SCHEDULE
(see inside front cover)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about May 25, 2017.

PiperJaffray®

MATURITY SCHEDULE

Base CUSIP⁽¹⁾: 769059

\$100,000,000

RIVERSIDE UNIFIED SCHOOL DISTRICT

(Riverside County, California)

Election of 2016 General Obligation Bonds, Series A

\$78,415,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP⁽¹⁾ Suffix
2018	\$13,555,000	3.000%	0.880%	YC4
2019	14,100,000	5.000	1.000	YD2
2020	3,000,000	5.000	1.120	YE0
2021	2,710,000	5.000	1.280	YF7
2022	3,075,000	5.000	1.410	YG5
2023	3,470,000	5.000	1.560	YH3
2024	3,890,000	5.000	1.770	YJ9
2025	2,095,000	5.000	1.950	YK6
2026	2,380,000	5.000	2.130	YL4
2027	1,470,000	5.000	2.280	YM2
2028	1,695,000	5.000	2.460 ⁽²⁾	YN0
2029	1,930,000	3.000	2.910 ⁽²⁾	YP5
2030	2,145,000	3.250	3.090 ⁽²⁾	YQ3
2031	2,375,000	3.500	3.220 ⁽²⁾	YR1
2032	2,635,000	4.000	3.240 ⁽²⁾	YS9
2033	2,915,000	4.000	3.360 ⁽²⁾	YT7
2034	3,215,000	4.000	3.450 ⁽²⁾	YU4
2035	3,535,000	5.000	3.040 ⁽²⁾	YV2
2036	3,910,000	5.000	3.080 ⁽²⁾	YW0
2037	4,315,000	5.000	3.120 ⁽²⁾	YX8

\$21,585,000 – 4.000% Term Bonds due August 1, 2041; Yield: 3.660%⁽²⁾; CUSIP Suffix⁽¹⁾: YY6

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Financial Advisor or the District is responsible for the selection or correctness of the CUSIP numbers set forth herein, and no representation is made as to their correctness on the applicable Bonds or as included herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Financial Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

⁽²⁾ Yield to call at par on August 1, 2027.

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

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

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

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

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

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

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

Board of Education

Brent Lee, *President*
Patricia Lock-Dawson, *Vice President*
Dr. Angelov Farooq, *Clerk*
Kathy Y. Allavie, *Member*
Tom Hunt, *Member*

District Administration

David C. Hansen, Ed.D., *Superintendent*
Mays Kakish, *Chief Business Officer*
Sandra L. Meekins, *Director of Business Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

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

Financial Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Paying Agent

U.S. Bank National Association
Los Angeles, California

TABLE OF CONTENTS

Page

INTRODUCTION	1
CHANGES SINCE THE PRELIMINARY OFFICIAL STATEMENT	1
THE DISTRICT	1
PURPOSE OF THE BONDS	2
AUTHORITY FOR ISSUANCE OF THE BONDS	2
SOURCES OF PAYMENT FOR THE BONDS	2
DESCRIPTION OF THE BONDS	2
TAX MATTERS	3
OFFERING AND DELIVERY OF THE BONDS	3
BOND OWNER’S RISKS	3
CONTINUING DISCLOSURE	3
PROFESSIONALS INVOLVED IN THE OFFERING	3
FORWARD LOOKING STATEMENTS	4
OTHER INFORMATION	4
THE BONDS	5
AUTHORITY FOR ISSUANCE	5
SECURITY AND SOURCES OF PAYMENT	5
GENERAL PROVISIONS	6
ANNUAL DEBT SERVICE	7
APPLICATION AND INVESTMENT OF BOND PROCEEDS	8
REDEMPTION	8
BOOK-ENTRY ONLY SYSTEM	10
DISCONTINUATION OF BOOK-ENTRY ONLY SYSTEM; REGISTRATION, PAYMENT AND TRANSFER OF BONDS	13
DEFEASANCE	13
ESTIMATED SOURCES AND USES OF FUNDS	14
TAX BASE FOR REPAYMENT OF BONDS	15
AD VALOREM PROPERTY TAXATION	15
ASSESSED VALUATIONS	16
TAX LEVIES AND DELINQUENCIES	19
TAX RATES	20
ALTERNATIVE METHOD OF TAX APPORTIONMENT - TEETER PLAN	20
PRINCIPAL TAXPAYERS	21
STATEMENT OF DIRECT AND OVERLAPPING DEBT	21
CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS	23
ARTICLE XIII A OF THE CALIFORNIA CONSTITUTION	23
LEGISLATION IMPLEMENTING ARTICLE XIII A	24
UNITARY PROPERTY	24
ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION	24
PROPOSITION 26	25
ARTICLE XIII C AND ARTICLE XIII D OF THE CALIFORNIA CONSTITUTION	26
PROPOSITIONS 98 AND 111	26
PROPOSITION 39	28
PROPOSITION 1A AND PROPOSITION 22	29
JARVIS VS. CONNELL	29
PROPOSITIONS 30 AND 55	30
PROPOSITION 2	30
PROPOSITION 51	31
FUTURE INITIATIVES	32

TABLE OF CONTENTS (cont'd)

	<u>Page</u>
DISTRICT FINANCIAL INFORMATION.....	33
STATE FUNDING OF EDUCATION	33
OTHER REVENUE SOURCES.....	37
STATE DISSOLUTION OF REDEVELOPMENT AGENCIES	38
ACCOUNTING PRACTICES	39
COMPARATIVE FINANCIAL STATEMENTS.....	40
BUDGET PROCESS	42
STATE BUDGET MEASURES	45
RIVERSIDE UNIFIED SCHOOL DISTRICT	49
INTRODUCTION	49
ADMINISTRATION	49
CHARTER SCHOOLS	50
LABOR RELATIONS	51
RETIREMENT PROGRAMS	51
OTHER POST EMPLOYMENT BENEFITS.....	58
RISK MANAGEMENT	58
DISTRICT DEBT STRUCTURE	59
TAX MATTERS	65
LIMITATION ON REMEDIES; BANKRUPTCY	67
LEGAL MATTERS	69
LEGALITY FOR INVESTMENT IN CALIFORNIA	69
EXPANDED REPORTING REQUIREMENTS.....	69
CONTINUING DISCLOSURE	69
LITIGATION.....	69
FINANCIAL STATEMENTS	70
LEGAL OPINION	70
MISCELLANEOUS	70
RATINGS	70
UNDERWRITING	70
ADDITIONAL INFORMATION.....	71
APPENDIX A: FORM OF OPINION OF BOND COUNSEL.....	A-1
APPENDIX B: 2015-16 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT	B-1
APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE	C-1
APPENDIX D: ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF RIVERSIDE AND RIVERSIDE COUNTY	D-1
APPENDIX E: RIVERSIDE COUNTY POOLED INVESTMENT FUND	E-1

\$100,000,000
RIVERSIDE UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Election of 2016 General Obligation Bonds, Series A

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of Riverside Unified School District (Riverside County, California) Election of 2016 General Obligation Bonds, Series A (the “Bonds”).

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

Changes Since the Preliminary Official Statement

Since the publication of the Preliminary Official Statement, the Governor of the State of California (the “State”) released the May revision to the proposed State budget for fiscal year 2017-18. Information presented under the heading “DISTRICT FINANCIAL INFORMATION – State Budget Measures” has been updated accordingly.

The District

The Riverside Unified School District (the “District”) is a unified school district encompassing an area of approximately 92 square miles and located in the northwestern portion of Riverside County (the “County”) approximately 47 miles east of the Los Angeles civic center. The District encompasses major portions of the City of Riverside. The District was established in 1963 through the unification of the Riverside City School District (which was founded in 1887) and the Riverside City High School District. The District operates 29 elementary schools, seven middle schools, five high schools, two alternative high schools, one virtual school, one adult school, one independent study school, one special education preschool and one STEM Academy. The District’s average daily attendance (“ADA”) is projected to be 39,693 in fiscal year 2016-17, and taxable property within the District has a fiscal year 2016-17 assessed valuation of \$23,280,127,043

The District is governed by a five-member Board of Education (the “Board”), each member of which is elected to a four-year term. The current board member’s terms were extended by one year to align board member elections with even year elections. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Board appointed Superintendent who is responsible for the day-to-day operations and the supervision of other key personnel. Dr. David C. Hansen currently serves as the District Superintendent.

See “RIVERSIDE UNIFIED SCHOOL DISTRICT” and “DISTRICT FINANCIAL INFORMATION” herein for more information regarding the District generally and “TAX BASE FOR REPAYMENT OF BONDS” herein for information regarding the District’s assessed valuation. The District’s audited financial statements for the fiscal year ended June 30, 2016 are attached hereto as

APPENDIX B and should be read in their entirety. The discussion of the District's financial history and the financial information contained herein does not purport to be complete or definitive.

Purpose of the Bonds

The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of the District sites and facilities, and (ii) pay the costs of issuing the Bonds. See also "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and pursuant to resolutions adopted by the District Board and the County Board (as defined herein). See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

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

Description of the Bonds

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

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

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

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

Payments. The Bonds will be dated as of their date of initial delivery (the "Date of Delivery") and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on each February 1 and August 1 of each year (each, a "Bond

Payment Date”), commencing August 1, 2017. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS – Bonds” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about May 25, 2017.

Bond Owner’s Risks

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

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events. The specific nature of the information to be made available and of the notices of listed events is summarized below under “LEGAL MATTERS – Continuing Disclosure” and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE” herein. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”).

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Fieldman Rolapp & Associates, Inc., Irvine, California is acting as Financial Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Profession Corporation and Fieldman Rolapp & Associates, Inc. will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

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

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

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Riverside Unified School District, 3380 14th Street, Riverside, California 92501, telephone: (951) 788-7135. The District may impose a charge for copying, mailing and handling.

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

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

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

THE BONDS

Authority for Issuance

The Bonds are issued by the County on behalf of the District pursuant to the provisions of Government Code Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (the “Act”), commencing with Section 53506 *et seq.*, as amended, Article XIII A of the California Constitution and pursuant to a resolution adopted by the Board on March 20, 2017 (the “District Resolution”) and a resolution adopted by the County Board on April 11, 2017 (the “County Resolution,” and together with the District Resolution, the “Resolutions”).

The District received authorization at an election held on November 8, 2016 by the requisite fifty-five percent of the votes cast by eligible voters within the District to issue \$392,000,000 aggregate principal amount of general obligation bonds (the “Authorization”). The Bonds are the first series of bonds issued under the Authorization, and following the issuance thereof, \$292,000,000 of the Authorization will remain unissued.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The County Board is empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. Such *ad valorem* property taxes will be levied annually in addition to all other taxes in an amount sufficient to pay the principal of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. While the County has historically levied *ad valorem* property taxes to establish such a reserve for other bonds of the District, the County is not obligated to establish or maintain such a reserve for the Bonds, and the District can make no representations that the County will do so in future years. Such taxes, when collected, will be placed by the County in the Debt Service Fund (defined herein) established by the Resolutions, which fund is required to be segregated and maintained by the County and which is designated for the payment of the Bonds and interest thereon when due, and for no other purpose. Pursuant to the Resolutions, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, the Bonds are not a debt of the County.

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

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

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

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. See "—Book-Entry Only System" herein. Beneficial Owners will not receive certificates representing their interest in the Bonds. The Bonds will be dated as of the Date of Delivery.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on each Bond Payment Date, commencing August 1, 2017. Interest on the Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2017, in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1 in the years and amounts set forth on the inside cover page hereof.

Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds shall be payable upon maturity upon surrender at the principal office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds.

Annual Debt Service

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

<u>Year Ending August 1</u>	<u>Annual Principal Payment</u>	<u>Annual Interest Payment⁽¹⁾</u>	<u>Total Debt Service</u>
2017	--	\$790,833.54	\$790,833.54
2018	\$13,555,000.00	4,313,637.50	17,868,637.50
2019	14,100,000.00	3,906,987.50	18,006,987.50
2020	3,000,000.00	3,201,987.50	6,201,987.50
2021	2,710,000.00	3,051,987.50	5,761,987.50
2022	3,075,000.00	2,916,487.50	5,991,487.50
2023	3,470,000.00	2,762,737.50	6,232,737.50
2024	3,890,000.00	2,589,237.50	6,479,237.50
2025	2,095,000.00	2,394,737.50	4,489,737.50
2026	2,380,000.00	2,289,987.50	4,669,987.50
2027	1,470,000.00	2,170,987.50	3,640,987.50
2028	1,695,000.00	2,097,487.50	3,792,487.50
2029	1,930,000.00	2,012,737.50	3,942,737.50
2030	2,145,000.00	1,954,837.50	4,099,837.50
2031	2,375,000.00	1,885,125.00	4,260,125.00
2032	2,635,000.00	1,802,000.00	4,437,000.00
2033	2,915,000.00	1,696,600.00	4,611,600.00
2034	3,215,000.00	1,580,000.00	4,795,000.00
2035	3,535,000.00	1,451,400.00	4,986,400.00
2036	3,910,000.00	1,274,650.00	5,184,650.00
2037	4,315,000.00	1,079,150.00	5,394,150.00
2038	4,750,000.00	863,400.00	5,613,400.00
2039	5,160,000.00	673,400.00	5,833,400.00
2040	5,605,000.00	467,000.00	6,072,000.00
2041	<u>6,070,000.00</u>	<u>242,800.00</u>	<u>6,312,800.00</u>
Total	<u>\$100,000,000.00</u>	<u>\$49,470,196.04</u>	<u>\$149,470,196.04</u>

⁽¹⁾ Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2017.

See also “RIVERSIDE UNIFIED SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds” herein for a full debt service schedule for all of the District’s bonded debt.

Application and Investment of Bond Proceeds

The proceeds of the sale from the Bonds, net of costs of issuance and any premium on the sale thereof, will be deposited by the County to the credit of the fund created by the Resolutions and known as the “Riverside Unified School District, Election of 2016 General Obligation Bonds, Series A Building Fund” (the “Building Fund”), and will be applied solely for the purposes for which the Bonds are being issued. Interest earnings in the Building Fund will be retained therein.

The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, are required to be held separate and apart by the County in a fund created by the Resolution and known as the “Riverside Unified School District, Election of 2016 General Obligation Bonds, Series A Debt Service Fund” (the “Debt Service Fund”), and used only for payment of principal of and interest on Bonds. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Moneys in the Debt Service Fund and the Building Fund are expected to be invested through the County’s pooled investment fund. See “APPENDIX E - RIVERSIDE COUNTY POOLED INVESTMENT FUND” herein.

Redemption

Optional Redemption. The Bonds maturing on and before August 1, 2027 are not subject to redemption prior to their stated maturity dates. The Bonds maturing on and after August 1, 2028 may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 2027 or on any date thereafter, at a redemption price equal to the principal amount of such Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 2041 (the “2041 Term Bonds”) are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2038, at a redemption price equal to the principal amount thereof as of the date fixed for redemption, together with interest accrued to the date set for such redemption, without premium. The principal amount of the 2041 Term Bonds to be so redeemed and the redemption dates therefor, and the final payment date is as indicated in the following table:

Redemption Date (August 1)	Principal Amount
2038	\$4,750,000
2039	5,160,000
2040	5,605,000
2041 ⁽¹⁾	6,070,000

⁽¹⁾ Maturity.

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

manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in a principal amount of \$5,000, or any integral multiple thereof.

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

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

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

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

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

Payment of Redeemed Bonds. When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in “—Defeasance,” the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

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

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

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

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

Book-Entry Only System

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter take any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest on, principal of or premium, if any, on the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange

Commission and the current “Procedures” of DTC to be followed in dealing with Participants are on file with DTC.

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants,” and together with the Direct Participants, the “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. However, the information presented on such website is not incorporated herein by any reference.

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

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

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

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

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

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

For every transfer and exchange of Bonds, Owners requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Paying Agent, DTC or the DTC Participant in connection with such transfers or exchanges.

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

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

Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds

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

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by either (i) check mailed to such Owner on the Bond Payment Date at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date, or (ii) by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount thereof) upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

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

Defeasance

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

- (a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the Debt Service Fund, if required, is sufficient to pay all Bonds outstanding and designated for defeasance, including all principal thereof, interest thereon and redemption premium, if any, at or before their maturity dates;

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

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

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds	\$100,000,000.00
Net Original Issue Premium	<u>9,374,455.35</u>
Total Sources	<u>\$109,374,455.35</u>

Uses of Funds

Deposit to Building Fund	\$99,150,000.00
Deposit to Debt Service Fund	9,374,455.35
Costs of Issuance ⁽¹⁾	<u>850,000.00</u>
Total Uses	<u>\$109,374,455.35</u>

⁽¹⁾ Reflects all costs of issuance, including but not limited to the underwriting discount, credit rating fees, printing costs, legal and financial advisory fees, and the costs and fees of the Paying Agent. See also “MISCELLANEOUS – Underwriting” herein.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem property taxes. The District's general fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

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

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

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a minimum 10% penalty attaches to any delinquent installment plus a \$10 cost on the second installment, plus any additional amount determined by the County Treasurer (the "Treasurer"). Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a minimum \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. Information regarding District-level tax delinquencies is not currently available. See also "—Alternative Method of Tax Apportionment – Teeter Plan" herein.

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

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

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

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization (“SBE”). Assessed valuations are reported at 100% of the “full cash value” of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” herein. The table on the following page shows a history of assessed valuations of the District.

ASSESSED VALUATION Fiscal Years 2010-11 through 2016-17 Riverside Unified School District

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2010-11	\$18,412,164,052	\$2,022,568	\$920,301,958	\$19,334,488,578
2011-12	18,379,696,341	2,022,568	928,114,086	19,309,832,995
2012-13	18,363,907,720	1,489,719	978,813,194	19,344,210,633
2013-14	19,072,101,547	1,489,719	932,096,406	20,005,687,672
2014-15	20,278,429,984	1,463,612	965,399,694	21,245,293,290
2015-16	21,264,167,828	1,472,437	930,934,041	22,196,574,306
2016-17	22,261,489,364	1,480,840	1,017,156,839	23,280,127,043

Source: California Municipal Statistics, Inc.

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

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board. The County Assessor may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the

assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, drought, fire, or toxic contamination pursuant to relevant provisions of the State Constitution.

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

No assurance can be given that property tax appeals currently pending or in the future, actions by the County assessor, or other factors in the future will not significantly reduce the assessed valuation of property within the District.

Assessed Valuation by Jurisdiction. The following table below shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2016-17 assessed valuation.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2016-17
Riverside Unified School District

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Jurupa Valley	\$6,264	0.00%	\$8,488,437,041	0.00%
City of Riverside	20,116,120,701	86.41	27,029,857,383	74.42
Unincorporated Riverside County	<u>3,164,000,078</u>	<u>13.59</u>	38,062,866,343	8.31
Total District	\$23,280,127,043	100.00%		
Riverside County	\$23,280,127,043	100.00%	\$250,516,388,879	9.29%

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2016-17 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

PER PARCEL ASSESSED VALUATION OF SINGLE FAMILY HOMES

Fiscal Year 2016-17

Riverside Unified School District

	<u>No. of Parcels</u>	<u>2016-17 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	54,320	\$14,321,397,406	\$263,649	\$234,691

<u>2016-17 Assessed Valuation</u>	<u>No. of Parcels</u> ⁽¹⁾	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	1,668	3.071%	3.071%	\$63,319,852	0.442%	0.442%
50,000 - 99,999	4,647	8.555	11.626	344,666,999	2.407	2.849
100,000 - 149,999	6,879	12.664	24.289	870,228,419	6.076	8.925
150,000 - 199,999	8,379	15.425	39.715	1,469,913,825	10.264	19.189
200,000 - 249,999	7,954	14.643	54.358	1,790,515,128	12.502	31.691
250,000 - 299,999	7,315	13.466	67.824	2,008,071,824	14.021	45.713
300,000 - 349,999	5,107	9.402	77.226	1,653,693,437	11.547	57.260
350,000 - 399,999	3,759	6.920	84.146	1,403,867,695	9.803	67.062
400,000 - 449,999	2,880	5.302	89.448	1,220,770,219	8.524	75.587
450,000 - 499,999	1,820	3.351	92.798	860,221,628	6.007	81.593
500,000 - 549,999	1,130	2.080	94.878	592,591,287	4.138	85.731
550,000 - 599,999	833	1.534	96.412	478,177,863	3.339	89.070
600,000 - 649,999	570	1.049	97.461	354,285,846	2.474	91.544
650,000 - 699,999	328	0.604	98.065	221,402,887	1.546	93.090
700,000 - 749,999	205	0.377	98.443	148,512,386	1.037	94.127
750,000 - 799,999	189	0.348	98.791	146,273,266	1.021	95.148
800,000 - 849,999	113	0.208	98.999	93,184,770	0.651	95.799
850,000 - 899,999	112	0.206	99.205	97,771,942	0.683	96.481
900,000 - 949,999	97	0.179	99.383	89,694,191	0.626	97.108
950,000 - 999,999	52	0.096	99.479	50,670,395	0.354	97.461
1,000,000 and greater	283	0.521	100.000	363,563,547	2.539	100.000
Total	54,320	100.000%		\$14,321,397,406	100.000%	

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

Assessed Valuation and Parcels by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2016-17.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2016-17
Riverside Unified School District

	2016-17 Assessed Valuation⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	\$210,468,473	0.95%	621	0.89%
Commercial/Office	4,887,168,214	21.95	3,512	5.05
Vacant Commercial/Industrial	162,288,965	0.73	765	1.10
Miscellaneous	<u>16,627,430</u>	<u>0.07</u>	<u>150</u>	<u>0.22</u>
Subtotal Non-Residential	\$5,276,553,082	23.70%	5,048	7.26%
Residential:				
Single Family Residence	\$14,321,397,406	64.33%	54,320	78.12%
Condominium/Townhouse	494,560,678	2.22	3,469	4.99
Mobile Home	44,677,147	0.20	911	1.31
2+ Residential Units/Apartments	1,926,828,308	8.66	2,268	3.26
Vacant Residential	<u>134,788,911</u>	<u>0.61</u>	<u>1,815</u>	<u>2.61</u>
Subtotal Residential	\$16,922,252,450	76.02%	62,783	90.29%
Other Vacant	\$62,683,832	0.28%	1,703	2.45%
Total	\$22,261,489,364	100.00%	69,534	100.00%

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

Tax Levies and Delinquencies

The table below summarizes the annual secured tax levy within the District as of June 30 for fiscal years 2010-11 through 2015-16. The County has adopted the Teeter Plan (as defined herein). As a result, the District's receipt of property taxes is not subject to delinquencies so long as the Teeter Plan remains in effect. See " – Alternative Method of Tax Apportionment - Teeter Plan" herein.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2010-11 through 2015-16
Riverside Unified School District

	Secured Tax Charge⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2010-11	\$10,233,115.94	\$230,433.33	2.25%
2011-12	10,250,653.87	171,348.71	1.67
2012-13	9,566,083.83	138,895.43	1.45
2013-14	9,968,453.95	133,155.92	1.34
2014-15	10,624,766.11	102,422.63	0.96
2015-16	8,978,840.40	104,052.56	1.16

⁽¹⁾ Debt service levy only.
Source: California Municipal Statistics, Inc.

Tax Rates

The following table summarizes the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in a typical tax rate area (a “TRA”) within the District during the five-fiscal year period from 2012-13 to 2016-17.

SUMMARY OF AD VALOREM PROPERTY TAX RATES (TRA 09-002)
Fiscal Years 2012-13 through 2016-17
Riverside Unified School District

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
City of Riverside	.00572	.00673	.00626	.00576	.00617
Riverside Unified School District	.05307	.05307	.05307	.04277	.04205
Riverside Community College District	.01702	.01768	.01791	.01725	.01649
Metropolitan Water District	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>
Total	1.07931%	1.08098%	1.08074%	1.06928%	1.06821%

Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - Teeter Plan

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

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

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

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of such county orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the County Board receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected in the County would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2016-17 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

20 LARGEST LOCAL SECURED TAXPAYERS

Fiscal Year 2016-17

Riverside Unified School District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2016-17 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Tyler Mall LP	Regional Mall	\$202,716,029	0.91%
2.	Riverside Healthcare System	Medical Facilities	160,941,405	0.72
3.	Cole ID Riverside CA	Industrial	97,085,223	0.44
4.	Vestar Riverside Plaza	Shopping Center	80,630,138	0.36
5.	Northrop Drive Apartments Investments	Apartments	79,399,000	0.36
6.	Sterling Riverside 2	Apartments	54,789,580	0.25
7.	Riverside Clinic Investments IV Ltd.	Medical Facilities	47,876,158	0.22
8.	HSRE Pep Riverside	Apartments	47,147,922	0.21
9.	Prologis Targeted U.S. Logistics Fund	Industrial	47,055,167	0.21
10.	Citrus Towers Inc.	Office Building	46,813,595	0.21
11.	GE MC 2006 1 Iowa Road LP	Apartments	45,304,640	0.20
12.	Riverside Fair Isle Drive Apartments	Apartments	44,291,566	0.20
13.	Seritage KMT Finance	Shopping Center	43,020,208	0.19
14.	Riverside Lochmoor Drive Apartments	Apartments	41,725,676	0.19
15.	University Village Towers	Apartments	40,446,865	0.18
16.	3100 Van Buren Blvd. Apartments	Apartments	39,695,056	0.18
17.	BRE Paragon MF Alvista Canyons CA	Apartments	39,500,000	0.18
18.	Riverside Gateway Associates	Office Building	39,196,726	0.18
19.	Mission Grove Plaza LP	Shopping Center	38,213,064	0.17
20.	Riverside CA II & III Senior Properties	Assisted Living Facility	<u>37,751,625</u>	<u>0.17</u>
			\$1,273,599,643	5.72%

⁽¹⁾ 2016-17 Local Secured Assessed Valuation: \$22,261,489,364.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. effective as of April 1, 2017. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

STATEMENT OF DIRECT AND OVERLAPPING DEBT Riverside Unified School District

2016-17 Assessed Valuation: \$23,280,127,043

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/17</u> ⁽¹⁾
Metropolitan Water District	0.901%	\$674,549
Riverside County Flood Control Agency, Zone 4	0.521	97,583
Riverside Community College District	24.948	65,404,853
Riverside Unified School District	100.000	129,220,000 ⁽²⁾
Riverside Unified School District Community Facilities Districts	100.000	100,855,000
City of Riverside	74.422	8,476,666
City of Riverside 1915 Act Bonds	100.000	<u>15,005,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$319,733,651
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	9.293%	\$80,369,406
Riverside County Pension Obligation Bonds	9.293	26,627,698
Riverside Unified School District Certificates of Participation	100.000	18,788,785
City of Riverside General Fund Obligations	74.422	164,637,477
City of Riverside Pension Obligation Bonds	74.422	<u>75,166,220</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$365,589,586
Less: Riverside County supported obligations		<u>516,217</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$365,073,369
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		\$181,948,179
GROSS COMBINED TOTAL DEBT		\$867,271,416 ⁽³⁾
NET COMBINED TOTAL DEBT		\$866,755,199

(1) Prepared 2/14/17 in advance of 4/1/17 dated date. Excludes any bonds sold between 2/14/17 and 4/1/17.

(2) Excludes issue to be sold.

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

Ratios to 2016-17 Assessed Valuation:

Direct Debt (\$129,220,000)	0.56%
Total Direct and Overlapping Tax and Assessment Debt.....	1.37%
Combined Direct Debt (\$148,008,785)	0.64%
Gross Combined Total Debt	3.73%
Net Combined Total Debt.....	3.72%

Ratios to Redevelopment Incremental Valuation (\$4,471,868,417):

Total Overlapping Tax Increment Debt.....	4.07%
---	-------

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. (See “THE BONDS – Security and Sources of Payment” herein) Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and to the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District’s voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

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

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

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

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.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to claims, if any, on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

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

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

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the 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. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION” herein.

Article XIII B of the California Constitution

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

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

- (b) “change in population” with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year.

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

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

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. 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 XIIC and Article XIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIC and XIID (respectively, "Article XIIC" and "Article XIID"), 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 XIIC 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. 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.

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

Propositions 98 and 111

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

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article 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 minimum funding level for such districts. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into K-14 school district base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the State legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools 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 State legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

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

Proposition 1A and Proposition 22

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

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

Jarvis vs. Connell

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

Propositions 30 and 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The California Children’s Education and Health Care Protection Act of 2016 (also known as “Proposition 55”) is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

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

Proposition 2

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

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts

pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

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

Proposition 2 changes the conditions under which the Governor and the State legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers the BSA, nor does the State legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

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

Proposition 51

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

construction and modernization of K-14 facilities. The District makes no representation that it will either pursue or qualify for Proposition 51 state facilities funding.

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at \$3 million for a new facility and \$1.5 for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State legislature will select among eligible projects as part of the annual state budget process.

The table below shows the expected use of bond funds under Proposition 51:

PROPOSITION 51 Use of Bond Funds (In Millions)	
<u>K-12 Public School Facilities</u>	
New Construction	\$3,000
Modernization	3,000
Career Technical Education Facilities	500
Charter School Facilities	<u>500</u>
Subtotal	\$7,000
<u>Community College Facilities</u>	<u>\$2,000</u>
Total	\$9,000

The District makes no guarantees that it will either pursue or qualify for Proposition 51 state facilities funding.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 22, 26, 30, 39 and 98 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

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

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

The primary component of AB 97 was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment has been calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$7,820 for grades K-3; (ii) \$7,189 for grades 4-6; (iii) \$7,403 for grades 7-8; and (iv) \$8,801 for grades 9-12. Beginning in fiscal year 2013-14, the Base Grants have been adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "—State Budget Measures" herein for information on the adjusted Base Grants provided by current budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals). AB 97 authorizes a supplemental grant add-on (each, a “Supplemental Grant”) for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The table on the following page shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment for fiscal years 2012-13 through 2016-17.

[REMAINDER OF PAGE LEFT BLANK]

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2016-17
Riverside Unified School District

Fiscal Year	Average Daily Attendance⁽¹⁾					Enrollment	
	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment⁽²⁾	% of EL/LI Enrollment⁽³⁾
2012-13	11,822.57	9,128.31	6,192.78	13,069.17	40,212.83	42,354	66.37%
2013-14	12,030.36	9,007.61	6,409.18	12,963.85	40,411.00	42,405	66.37
2014-15	12,104.39	9,063.16	6,360.75	12,806.21	40,334.51	42,040	65.90
2015-16	11,996.86	8,981.17	6,299.43	12,684.43	39,961.89	41,664	65.90
2016-17 ⁽⁴⁾	11,709.26	9,213.62	6,160.03	12,609.90	39,692.81	41,637	65.05

⁽¹⁾ Except for fiscal year 2016-17, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.

⁽²⁾ Enrollment for fiscal year 2012-13 is reported as of the October report submitted to the California Basic Educational Data System ("CBEDS"). Fiscal years 2013-14 and onward reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures exclude preschool and adult transitional students.

⁽³⁾ For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

⁽⁴⁾ Reflects projected ADA.

Source: Riverside Unified School District.

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

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

Certain schools districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their

primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as basic aid.

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

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

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

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

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized (i) to modify a district’s LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Other Revenue Sources

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

Developer Fees. The District maintains a fund, separate and apart from the general fund, to account for developer fees levied on residential and commercial development pursuant to Education Code Section 17620. Developer fee revenue is required by statute to be expended on the construction or reconstruction of school facilities necessary to accommodate growth in student enrollment caused by development. The table below summarizes the revenues received by the District from developer fees since fiscal year 2011-12.

DEVELOPER FEE COLLECTIONS
Fiscal Years 2011-12 through 2016-17
Riverside Unified School District

<u>Fiscal Year</u>	<u>Total Collections</u>
2011-12	\$368,602
2012-13	493,428
2013-14	1,017,222
2014-15	3,109,941
2015-16	3,551,095
2016-17 ⁽¹⁾	3,200,000

⁽¹⁾ Projected.

Source: Riverside Unified School District.

Tax Offset and Pass-Through Revenues. The District receives tax offset revenue from the County as a part of certain redevelopment projects within the County (the “Tax Offset Revenues”). The Tax Offset Revenues received are deposited directly into the general fund of the District and offset the State apportionment received by the District. The District also receives pass-through tax increment revenue (the “Pass-Through Revenues”) from the former redevelopment agencies within the District’s boundaries. The Pass-Through Revenues received by the District are deposited into the District’s general fund and Special Reserve for Capital Outlay Funds, and are used for capital projects and are not offset against the State apportionment received by the District. The following table shows the amount of Tax Offset Revenues and Pass-Through Revenues received by the District from fiscal years 2012-13 through 2015-16, and projected amounts for fiscal year 2016-17.

TAX OFFSET AND PASS-THROUGH REVENUES
Fiscal Years 2012-13 through 2016-17
Riverside Unified School District

Fiscal Year	Tax Offset Revenues⁽¹⁾	Pass-Through Revenues⁽²⁾
2012-13	\$12,336,552	\$2,440,680
2013-14	7,783,297	2,587,379
2014-15	9,654,045	2,936,569
2015-16	7,100,645	2,908,105
2016-17 ⁽³⁾	7,790,852	4,267,125

⁽¹⁾ Tax Offset Revenues received offset State apportionments received by the District.

⁽²⁾ Pass-Through Revenues received do not offset State apportionments received by the District.

⁽³⁾ Projected.

Source: Riverside Unified School District.

The District can make no representations that Tax Offset Revenues and Pass-Through Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the recently enacted legislation eliminating redevelopment agencies. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22” herein. The Bonds, however, are not payable from such revenue. The Bonds are payable solely from the proceeds of an *ad valorem* property tax required to be levied by the Counties in an amount sufficient for the payment thereof. See “THE BONDS – Security and Sources of Payment” herein.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012.

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

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed \$250,000 in any year, to the extent such costs have been approved in an administrative budget; then, tax revenues in the Trust Fund in excess of such amounts, if

any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) (“AB 1290”), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received had the redevelopment agency existed at that time,” and that the County Auditor-Controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABx1 26 using current assessed values and pursuant to statutory formulas and contractual agreements with other taxing agencies.”

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

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

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 Education Code Section 41010, is to be followed by all California school districts.

The District’s 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. Delinquent taxes not received after the fiscal year end are not recorded as revenue

until received. 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 District's 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 type of fund. The District's fiscal year begins on July 1 and ends on June 30.

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2016, and prior fiscal years are on file with the District and available for public inspection at the Office of the Chief Business Official, 3380 14th Street, Riverside, California 92501, telephone: (951) 788-7135. The audited financial statements for the year ended June 30, 2016, are included in APPENDIX B hereto.

The table below reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2011-12 to fiscal year 2015-16.

[REMAINDER OF PAGE LEFT BLANK]

AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years 2011-12 through 2015-16
Riverside Unified School District

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15⁽¹⁾	Fiscal Year 2015-16
REVENUES					
Revenue limit/LCFF Revenue	\$211,124,568	\$212,210,264	\$267,489,315	\$301,239,484	\$341,417,660
Federal sources	29,913,714	27,811,759	23,656,181	23,569,814	28,880,295
Other state sources	70,064,166	70,639,121	45,608,117	50,144,106	74,070,561
Other local sources	<u>8,205,612</u>	<u>8,840,776</u>	<u>8,064,252</u>	<u>8,459,965</u>	<u>10,274,902</u>
Total Revenues	319,308,060	319,501,920	344,817,865	383,413,369	454,643,418
EXPENDITURES:					
Instructional services:					
Instruction	204,293,727	218,980,603	214,117,944	244,024,199	274,033,398
Instruction-related activities:					
Supervision of instruction	11,709,658	11,974,771	10,949,365	14,290,070	19,382,262
Instructional library, media, technology	2,997,434	3,044,953	2,977,771	3,118,549	3,311,840
School site administration	20,589,314	22,630,222	23,415,823	25,828,509	27,762,967
Pupil-support services:					
Home-to-school transportation	10,064,486	10,528,345	10,532,243	10,846,955	11,810,358
Food services	10,811	7,761	7,985	10,067	10,721
All other pupil services	12,117,162	12,660,563	12,845,217	14,698,335	19,581,305
Ancillary services	2,427,765	2,478,684	2,310,952	3,697,650	5,045,013
Community services	43,261	54,311	63,042	59,870	60,947
General administration services:					
Data processing services	4,415,099	4,557,262	4,898,106	5,200,251	5,972,796
Other general administration	9,143,006	10,207,638	10,944,234	12,899,144	13,960,708
Plant services	31,519,394	33,748,027	34,470,945	35,341,159	38,645,157
Transfers of indirect costs	--	(914,776)	(831,436)	(841,539)	(1,117,447)
Capital outlay	--	3,004,652	5,586,485	6,343,052	5,847,949
Intergovernmental	--	94,717	471,987	164,573	63,218
Facility acquisition and construction	4,391,727	--	--	--	--
Other outgo					
Transfers between agencies	81,025	--	--	--	--
Debt service-issuance costs	--	--	--	--	--
Debt service-principal	--	--	--	--	--
Debt service-interest	--	--	--	--	--
Total Expenditures	313,803,869	333,057,733	332,760,663	375,680,844	424,371,192
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,504,191	(13,555,813)	12,057,202	7,732,525	30,272,226
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	831,139	6,498,199	5,769,152	18,817	--
Interfund transfers out	(8,288,531)	(2,530,880)	(11,157,630)	(3,091,000)	(3,846,490)
Proceeds from refunding bonds	--	--	--	--	--
Premium on refunding bonds	--	--	--	--	--
Transfer to escrow agent for defeased debt	--	--	--	--	--
Total Other Financing Sources & Uses	(7,457,392)	3,967,319	(5,388,478)	(3,072,183)	(3,846,490)
Total Change In Fund Balance	(1,953,201)	(9,588,494)	6,668,724	4,660,342	26,425,736
Fund Balances – July 1	<u>90,211,565</u>	<u>88,258,364</u>	<u>78,669,870</u>	<u>85,338,594</u>	<u>89,998,936</u>
Fund Balances – June 30	<u>\$88,258,364</u>	<u>\$78,669,870</u>	<u>\$85,338,594</u>	<u>\$89,998,936</u>	<u>\$116,424,672</u>

⁽¹⁾ In fiscal year 2014-15, on-behalf payments of \$9,040,022 were not included in the General Fund Budgeting table, but are included in the amounts above.
See “ – Budgeting Trends” herein.

Source: Riverside Unified School District

Budget Process

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

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

On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent’s recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent’s recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

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

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

remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Within the past five years, the District submitted, and the County superintendent of schools accepted, “qualified” designations on its first and second interim financial reports for fiscal year 2011-12. Since fiscal year 2011-12, the District has submitted, and the County superintendent of schools has accepted, “positive” certifications on each of its interim financial reports.

Budgeting Trends. The table on the following page sets forth the District’s general fund adopted budgets for fiscal years 2013-14 through 2016-17, ending results for fiscal years 2013-14 through 2015-16, and projected results for fiscal year 2016-17.

[REMAINDER OF PAGE LEFT BLANK]

GENERAL FUND BUDGETING
Fiscal Years 2013-14 through 2016-17
Riverside Unified School District

	Fiscal Year 2013-14		Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17	
	<u>Budget⁽¹⁾</u>	<u>Actual⁽¹⁾</u>	<u>Budget⁽¹⁾</u>	<u>Actual⁽¹⁾</u>	<u>Budget⁽¹⁾</u>	<u>Actual⁽¹⁾⁽²⁾</u>	<u>Budgeted⁽³⁾</u>	<u>Projected⁽³⁾</u>
REVENUES								
Revenue Limit/LCFF Sources	\$222,152,643	\$267,489,315	\$307,443,252	\$301,239,484	\$342,084,556	\$341,417,660	\$360,008,471	\$359,439,412
Federal Sources	23,467,262	23,656,181	21,835,950	23,569,814	23,259,128	28,880,295	24,497,274	31,566,183
Other State Sources	72,116,614	45,608,117	37,789,987	41,104,084	61,712,846	74,070,561	62,544,228	66,809,712
Other Local Sources	<u>3,663,301</u>	<u>8,064,252</u>	<u>5,431,022</u>	<u>8,459,965</u>	<u>5,273,873</u>	<u>10,274,902</u>	<u>5,959,351</u>	<u>8,295,124</u>
TOTAL REVENUES	321,399,820	344,817,865	372,500,211	374,373,347	432,330,403	454,643,418	453,009,324	466,110,431
EXPENDITURES								
Certificated Salaries	159,026,022	166,584,424	190,065,253	184,941,699	203,809,741	204,223,715	213,295,431	220,184,326
Classified Salaries	44,284,476	47,962,492	52,973,523	52,212,032	59,353,040	58,754,990	64,009,279	65,088,732
Employee Benefits	59,433,435	58,268,478	67,528,512	64,402,778	76,213,939	86,998,216	97,584,915	103,690,488
Books & Supplies	16,038,227	17,367,210	20,422,471	19,507,028	24,733,683	24,134,324	33,984,421	40,436,668
	38,978,095	36,515,307	41,312,181	39,031,371	45,413,759	43,639,115	59,963,662	59,866,264
Services & Other Operating Expenses								
Capital Outlay	3,254,912	6,422,201	9,081,119	7,222,880	17,917,540	6,557,614	10,006,888	12,056,892
Other Outgo	--	--	--	--	--	--	152,000	152,000
Transfers of Indirect Costs	--	--	--	--	--	--	(1,297,424)	(1,310,693)
Intergovernmental	<u>(938,641)</u>	<u>(359,449)</u>	<u>(749,239)</u>	<u>(676,966)</u>	<u>141,300</u>	<u>63,218</u>	--	--
TOTAL EXPENDITURES	320,076,526	332,760,663	380,633,820	366,640,822	427,583,002	424,371,192	477,699,172	500,164,677
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,323,294	12,057,202	(8,133,609)	7,732,525	4,747,401	30,272,226	(24,689,848)	(34,054,246)
OTHER FINANCING SOURCES (USES)								
Interfund Transfers In	1,100,000	5,769,152	--	18,817	--	--	--	--
Interfund Transfers Out	<u>(2,971,700)</u>	<u>(11,157,630)</u>	<u>(3,475,618)</u>	<u>(3,091,000)</u>	<u>(3,697,200)</u>	<u>(3,846,490)</u>	<u>(2,631,379)</u>	<u>(2,631,379)</u>
TOTAL OTHER FINANCING SOURCES (USES) – NET	(1,871,700)	(5,388,478)	(3,475,618)	(3,072,183)	(3,697,200)	(3,846,490)	(2,631,379)	(2,631,379)
Net Change in Fund Balance	(548,406)	6,668,724	(11,609,227)	4,660,342	(1,050,201)	26,425,736	(27,321,227)	(36,685,625)
Fund Balance at beginning of year⁽³⁾	<u>77,454,428</u>	<u>78,669,870</u>	<u>86,564,364</u>	<u>85,338,594</u>	<u>89,998,936</u>	<u>89,998,936</u>	<u>115,467,812</u>	<u>116,424,672</u>
Fund Balance at end of year⁽³⁾	<u>\$76,906,022</u>	<u>\$85,338,594</u>	<u>\$74,955,137</u>	<u>\$89,998,936</u>	<u>\$91,049,137</u>	<u>\$116,424,672</u>	<u>\$88,146,585</u>	<u>\$79,739,046</u>

⁽¹⁾ From the District's Comprehensive Audited Financial Statements for fiscal years 2013-14 through 2015-16, respectively.

⁽²⁾ In fiscal year 2015-16, on-behalf payments of \$9,040,022 have been included in the Audited General Fund Revenues, Expenditures and Fund Balances table, but are not included in the actual amounts above. See "– Comparative Financial Statements" herein.

⁽³⁾ From the District's Second Interim Financial Report for fiscal year 2016-17 approved by the Board on March 6, 2017.

Source: Riverside Unified School District.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information.

2016-17 Budget. On June 27, 2016, the Governor signed into the law the State budget for fiscal year 2016-17 (the "2016-17 Budget"). The following information is drawn from the Department of Finance's summary of the 2016-17 Budget and the LAO's review of the 2016-17 Budget.

The 2016-17 Budget projects, for fiscal year 2015-16, total general fund revenues and transfers of \$117 billion and total expenditures of \$115.6 billion. The State is projected to end the 2015-16 fiscal year with total available reserves of \$7.3 billion, including \$3.9 billion in the traditional general fund reserve and \$3.4 billion in the BSA. For fiscal year 2016-17, the 2016-17 Budget projects a growth in State general fund revenues driven primarily by total general fund revenues of \$120.3 billion and authorizes expenditures of \$122.5 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of \$8.5 billion, including \$1.8 billion in the traditional general fund reserve and \$6.7 billion in the BSA.

As a result of higher general fund revenue estimates for fiscal years 2015-16 and 2016-17, and after accounting for expenditures controlled by constitutional funding requirements such as Proposition 2 and Proposition 98, the 2016-17 Budget allocates over \$6 billion in discretionary funding for various purposes. These include (i) additional deposits of \$2 billion to the BSA (reflected in the discussion above) and \$600 million to the State's discretionary budget reserve fund, (ii) approximately \$2.9 billion in one-time funding for various purposes including infrastructure, affordable housing and public safety programs, and (iii) \$700 million in on-going funding commitments for higher education (California State University and the University of California systems), corrections and rehabilitation and State courts.

As required by Proposition 2, the 2016-17 Budget applies \$1.3 billion towards the repayment of existing State liabilities, including loans from special funds, State and University of California pension and retiree health benefits and settle-up payments to K-14 school districts resulting from an underfunding of the Proposition 98 minimum funding guarantee in a prior fiscal year.

With respect to education funding, the 2016-17 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2014-15 and 2015-16, as a result of increased revenue estimates. The 2016-17 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at \$71.9 billion, an increase of \$2.8 billion over the revised level from the prior fiscal year. With respect to K-12 education, the share of the minimum funding guarantee is \$62.5 billion, including \$44.5 billion from the State general fund and \$18.1 billion from local property tax collections. Significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – \$2.9 billion of Proposition 98 funding to continue the implementation of the LCFF. This reflects a 5.7% increase from the prior year, and is estimated to close the remaining funding implementation gap between the prior year and the LCFF target levels by approximately 54%. The 2016-17 Budget projects total LCFF implementation to be at 96% during fiscal year 2016-17. As a result, the adjusted 2016-17 Base Grants are as follows: (i) \$7,820 for grades K-3, (ii) \$7,189 for grades 4-6, (iii) \$7,403 for grades 7-8, and (iv) \$8,801 for grades 9-12. See also "– State Funding of Education – Local Control Funding Formula" herein.

- *Discretionary Funding* – \$1.3 billion in additional one-time funding that local educational agencies may use for any purpose. Funding will be distributed based on ADA. While funding is intended to reduce the backlog of unpaid reimbursement claims for State-mandated activities, the 2016-17 Budget estimates that most local educational agencies do not have such unpaid claims, and that only \$617 million of the total funding will be used for this purpose.
- *Maintenance Factor* – The 2016-17 Budget assumes the creation of a new maintenance factor of \$746 million in fiscal year 2016-17, created by the difference in growth in per capita State general fund revenues and growth in State per capita personal income.
- *College Readiness* – \$200 million in one-time Proposition 98 funding to fund a block grant for school districts and charter schools serving high school students. Funds are intended to provide additional services that support access and successful transition to higher education. Allocation of the funding will be based on the number of students in grades 9 through 12 that are English-learners, low-income or foster youth, with no district or charter school receiving less than \$75,000. The 2016-17 Budget also provides \$15 million in one-time Proposition 98 grant funding to support coordinated student outreach by local educational agencies and community college districts aimed at increasing college preparation, access, and success.
- *Career Technical Education (CTE)* – The State Budget for fiscal year 2015-16 established the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs, and provided \$400 million in fiscal year 2015-16 to fund the program. The 2016-17 Budget provides \$300 million in second-year funding for this program.
- *Charter Schools* – An increase of \$20 million in one-time Proposition 98 funding to support startup costs for new charter schools in 2016 and 2017. The funds are intended to offset the loss of previously available federal funding.
- *Support Systems* – \$20 million in one-time Proposition 98 funding to assist local educational agencies provide academic, behavioral, social and emotional student support services.
- *Truancy and Dropout Prevention* – Proposition 47, approved by voters in November 2014, reduces penalties for certain non-serious and non-violent property and drug offenses, and requires that a portion of State expenditure savings resulting from these reduced penalties by invested into K-12 truancy and dropout prevention. The 2016-17 Budget estimates approximately \$9.9 million in state savings that will be available for this program. The 2016-17 Budget also includes an additional \$18 million in one-time funding for the program, resulting in total funding of \$27.9 million.
- *Teacher Workforce Initiatives* – The 2016-17 Budget funds several initiatives designed to increase the supply of K-12 teachers, including (i) \$20 million to encourage classified employees to complete their education and pursue teaching credentials, (ii) \$10 million in non-Proposition 98 funding to expand the number of integrated programs that allow a participant to concurrently earn a bachelor's degree and a teaching credential, and (iii) \$5 million to fund teacher recruitment activities.
- *Drinking Water* – \$9.5 million in one-time Proposition 98 funding to assist school districts that serve isolated or economically disadvantaged areas improve access to safe drinking water.

For additional information regarding the 2016-17 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Governor's Proposed 2017-18 Budget. On January 10, 2017, the Governor released his proposed State budget for fiscal year 2017-18 (the "Proposed Budget"). The following information is drawn from the Department of Finance's summary of the Proposed Budget and the LAO's overview of the Proposed Budget.

Following several years of increases, the Governor reports that the three main sources of State revenues—income, sales and corporation taxes—are showing weakness. Consequently, the Proposed Budget includes a revised revenue forecast for fiscal years 2015-16 and 2016-17 that is \$3.2 billion lower for than what was included in the current State budget. The Governor attributes the change in expectations to a pattern of shortfalls in monthly revenue collections and a growth in lower-income workers, which results in decreased revenues due to the State's progressive tax structure. The Governor also identifies some increases in State general fund spending relative to the 2016-17 Budget, most significant among those being an increase in Medi-Cal costs of approximately \$1.8 billion. As a result, absent corrective action, the Governor projects that the State would face a general fund deficit of approximately \$1.6 billion in fiscal year 2017-18, as well as comparable deficits in future years.

To close the projected deficit, the Proposed Budget includes \$3.2 billion in remedial budgetary measures designed to reduce State general fund spending in a variety of areas. Significantly, the Proposed Budget would lower, by \$1.7 billion, the existing Proposition 98 funding appropriations for fiscal years 2015-16 and 2016-17 which, as a result of the drop in State revenues, are projected to overappropriate the minimum funding guarantee. As a result, the Proposed Budget also shifts, on a one-time basis (i) \$310 million of previously appropriated discretionary K-12 funding from the 2015-16 fiscal year to the 2016-17 fiscal year, and (ii) \$859.1 million in LCFF payments from June 2017 to July 2017. These shifts would bring Proposition 98 spending in line with the revised funding guarantees described below. Other significant remedial measures include eliminating a \$400 million set aside for affordable housing and \$300 million in previously approved funding for the replacement and renovation of State office buildings.

Assuming the implementation of these measures, the Proposed Budget projects, for fiscal year 2016-17, total general fund revenues and transfers of \$118.8 billion and total expenditures of \$122.8 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of \$7.7 billion, including \$980 million in the traditional general fund reserve and \$6.7 billion in the BSA. For fiscal year 2017-18, the Proposed Budget projects total general fund revenues of \$124 billion and authorizes expenditures of \$122.5 billion. The State is projected to end the 2017-18 fiscal year with total available reserves of \$8.8 billion, including \$980 million in the traditional general fund reserve and \$7.9 billion in the BSA.

As a result of the revised State revenue estimates discussed above, the Proposed Budget adjusts the minimum funding guarantee for fiscal year 2015-16 to \$68.7 billion, a decrease of \$379 million from the level set by the 2016-17 Budget. Similarly, for fiscal year 2016-17, the minimum funding guarantee is revised at \$71.4 billion, reflecting a decrease of \$506 million from the level set by the 2016-17 Budget. For fiscal year 2017-18, the Proposed Budget sets the minimum funding guarantee at \$73.5 billion, including \$51.4 billion from the State general fund, reflecting a year-to-year increase of \$2.1 billion (or 3%). Fiscal year 2017-18 is projected to be "Test 3" year, with the increase in the minimum guarantee driven primarily by an increase in per capita State general fund revenues. Significant proposals with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – \$744 million in Proposition 98 funding to continue the implementation of the LCFF. This level of funding would support a 1.48% COLA for adjusted Base Grants in fiscal year 2017-18. The Proposed Budget projects to maintain total LCFF implementation at 96%. The Proposed Budget would also provide \$2.4 million in

Proposition 98 funding to support a COLA for LCFF funding levels for county offices of education.

- *Maintenance Factor* – As a result of the adjustments to the Proposition 98 minimum funding guarantee for fiscal years 2015-16 and 2016-17, as described above, the State is no longer required to make a \$379 million maintenance factor payment for fiscal year 2015-16 that was approved by the 2016-17 Budget, and the maintenance factor created for fiscal year 2016-17 grows from \$746 million to \$838 million. In addition, the funding levels set by the Proposed Budget would create a new maintenance factor in fiscal year 2017-18 equal to \$219 million, bringing the total outstanding State obligation to \$1.6 billion.
- *Discretionary Funding* – An increase of \$287 million in one-time funding that local educational agencies may use for any purpose. Similar to features included in prior State budgets, these funds would offset any applicable unpaid reimbursement claims for State-mandated activities.
- *Settle Up Payment* - \$601 million in one-time funding to support a “settle up” payment related to an obligation created in fiscal year 2009-10 when revenue estimates understated the minimum funding guarantee.
- *Career Technical Education (CTE)* – The State Budget for fiscal year 2015-16 established the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs. The Proposed Budget would provide \$200 million as the final installment of funding for this program.
- *ADA Adjustments* – The Proposed Budget’s funding levels reflect the following adjustments (i) an increase of \$93 million in Proposition 98 funding to support a projected growth in charter school ADA, (ii) a decrease of \$4.9 million in Proposition 98 funding as a result of a projected decrease in special education ADA, and (iii) a total decrease of \$232 million for fiscal years 2016-17 and 2017-18 as a result of continuing projected declines in ADA for school districts.
- *Local Property Tax Adjustments* – A decrease of \$149.2 million in Proposition 98 funding in fiscal year 2016-17 for school districts and county office of education as a result of higher offsetting property tax revenues. The Proposed Budget would make a similar decrease of \$922.7 million in fiscal year 2017-18.
- *Categorical Programs* – An increase of \$58.1 million in Proposition 98 funding to support a 1.48% COLA for categorical programs that remain outside of the LCFF.
- *Proposition 39* – Passed by voters in November 2012, Proposition 39 increases State corporate tax revenues and requires that, for a five-year period starting in fiscal year 2013-14, a portion of these additional revenues be allocated to local education agencies to improve energy efficiency and expand the use of alternative energy in public buildings. The Proposed Budget allocates \$422.9 million of such funds to support school district and charter school energy efficiency projects in fiscal year 2017-18.
- *Proposition 56* – Passed by voters in November 2016, Proposition 56 increases the per-pack State sales tax on cigarettes by \$2, and requires that a portion of the revenue generated be used for school programs designed to prevent and reduce the use of tobacco and nicotine products. The Proposed Budget would allocate \$29.9 million of Proposition 56 revenues to support these programs.

For additional information regarding the Proposed Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

May Revision. On May 11, 2017, the Governor released his May revision (the "May Revision") to the Proposed Budget. The following information is drawn from the Department of Finance's summary of the May Revision.

The May Revision includes a modestly improved fiscal outlook as compared to the Proposed Budget, primarily due to a recent surge in the performance of the stock market. State revenues are projected to be \$2.5 billion higher, which the May Revision would redirect primarily towards education, in home supportive services, child care and the reduction of unfunded pension liabilities. For fiscal year 2016-17, the May Revision projects total general fund revenues and transfers of \$118.5 billion and total expenditures of \$122.3 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of \$7.7 billion, including \$980 million in the traditional general fund reserve and \$6.7 billion in the BSA. For fiscal year 2017-18, the May Revision projects total general fund revenues of \$126 billion and authorizes expenditures of \$124 billion. The State is projected to end the 2017-18 fiscal year with total available reserves of \$9.5 billion, including \$980 million in the traditional general fund reserve and \$8.5 billion in the BSA.

The May Revision notes, however, that the improved fiscal outlook assumes the continued expansion of the economy, and that even a moderate recession would reduce State revenues by approximately \$20 billion for several years. The May Revision also notes that several proposed changes to federal fiscal policies, including to Medicaid, trade, immigration and the federal tax structure, could have serious and detrimental effects on the State's economy and budget.

With respect to K-12 education funding, significant adjustments made by the May Revision include the following:

- *Funding Shifts* – the Proposed Budget would have shifted, on a one-time basis, (i) \$310 million of previously appropriated K-12 funding from fiscal year 2015-16 to fiscal year 2016-17, and (ii) \$859.1 million in LCFF payments from June 2017 to July 2017. As a result of the increases in State revenues discussed above, the May Revision eliminates these shifts. To accomplish this, the May Revision would also suspend the application of the Proposition 98 "Test 3" in fiscal year 2016-17.
- *Local Control Funding Formula* – \$661 million in additional Proposition 98 funding to continue the implementation of the LCFF. Total LCFF funding for fiscal year 2017-18 would be approximately \$1.4 billion, which the May Revision projects will bring total LCFF implementation to 97%.
- *Maintenance Factor* – an additional maintenance factor repayment of \$614 million, driven primarily by the projected increase in revenues attributable to fiscal year 2017-18. As a result, the total outstanding maintenance factor would be reduced to approximately \$823 million.
- *Discretionary Funding* – an additional \$750 million in one-time funding that local educational agencies may use for any purposes, for a grand total of approximately \$1 billion.
- *ADA Adjustments* – as a result of adjusted projections in ADA declines for fiscal years 2016-17 and 2017-18, which project a smaller drop in ADA than what was assumed by the

Proposed Budget, funding levels set by the May Revision increase by \$100 million over that two year period.

- *Local Property Tax Adjustments* – an increase of \$188.7 million in Proposition 98 funding for fiscal year 2016-17 for school districts and county offices of education, as a result of lower projected offsetting property tax revenues. The May Revision would make a similar increase of \$327.9 million in fiscal year 2017-18.
- *Categorical Programs* – an increase of \$3.2 million in Proposition 98 funding beyond what was included in the Proposed Budget for categorical programs that remain outside the LCFF, which is sufficient to support a 1.56% COLA for such programs. The May Revision also provides \$2.4 million in additional Proposition 98 funding for selected categorical programs, based on updated ADA projections.
- *Proposition 39* – a decrease of \$46.7 million in Proposition 39 corporate tax revenues relative to the level set by the Proposed Budget, bringing total available revenues for energy efficiency projects undertaken by local educational agencies in fiscal year 2017-18 to \$376.2 million.

For additional information regarding the May Revision, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

Future Actions. The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

RIVERSIDE UNIFIED SCHOOL DISTRICT

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

Introduction

The District is a unified school district encompassing an area of approximately 92 square miles and located in the northwestern portion of the County approximately 47 miles east of the Los Angeles civic center. The District encompasses major portions of the City of Riverside. The District was established in 1963 through the unification of the Riverside City School District (which was founded in 1887) and the Riverside City High School District. The District operates 29 elementary schools, seven middle schools, five high schools, two alternative high schools, one virtual school, one adult school, one

independent study school, one special education preschool and one STEM Academy. The District's ADA is projected to be 39,693 in fiscal year 2016-17, and taxable property within the District has a fiscal year 2016-17 assessed valuation of \$23,280,127,043.

Administration

The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. The current board member's terms were extended by one year to align board member elections with even year elections. Elections for positions to the District Board are held every two years, alternating between two and three available positions. The following table shows the current members and terms of the District Board.

<u>Board Member</u>	<u>Office</u>	<u>Term Expires</u>
Brent Lee	President	December 2018
Patricia Lock-Dawson	Vice President	December 2020
Dr. Angelov Farooq	Clerk	December 2020
Kathy Y. Allavie	Member	December 2018
Tom Hunt	Member	December 2020

The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as supervision of the District's other key personnel. Dr. David C. Hansen currently serves as the District Superintendent. Brief biographies of the Superintendent and Chief Business Officer follow:

David C. Hansen, Ed.D., Superintendent. Dr. Hansen joined the District in July 2014 as Superintendent. Prior to joining the District, Dr. Hansen served as Assistant Superintendent of the Corona-Norco Unified School District. Dr. Hansen holds a Bachelor of Science degree in industrial technology education from Brigham Young University; a Master's degree in educational administration from California State University, San Bernardino; and a Doctorate of Education focusing on educational leadership from the University of La Verne.

Mays Kakish, Chief Business Officer. Mays Kakish was appointed Chief Business Officer of the District in July 2015. Ms. Kakish served the Moreno Valley Unified School District as Chief Business Official from April 2011 to June 2015 and prior to that, she served as the Assistant Superintendent, Business Services of the Beaumont Unified School District for five years. Ms. Kakish holds a Bachelor of Science degree from California State University San Bernardino, San Bernardino, California.

Charter Schools

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

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

accountability; and (iii) to provide competition within the public school system to stimulate improvements in all public schools.

The District has certain fiscal oversight and other responsibilities with respect to independent charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District's audited financial statements. Affiliated charter schools receive their funding from the District, and would be reflected in the District's audited financial statements. Under the LCFF, charter schools are funded on the basis of target base funding grants per unit of ADA substantially similar to those of school districts. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula" herein.

There are two charter schools currently operating within the District, neither of which are affiliated (together, the "Charter Schools"), one serving grades TK-8 and the other serving grades 7-12. The following table shows District-resident enrollment figures for the District's Charter Schools for the past four fiscal years and projected enrollment for the fiscal years 2016-17 and 2017-18.

CHARTER SCHOOLS DISTRICT-RESIDENT ENROLLMENT
Fiscal Years 2012-13 through 2017-18
Riverside Unified School District

<u>Fiscal Year</u>	<u>Total Charter Schools' Enrollment</u>
2012-13	140
2013-14	231
2014-15	333
2015-16	830
2016-17 ⁽¹⁾	1166
2017-18 ⁽¹⁾	1461

⁽¹⁾ Projected.

Source: *Riverside Unified School District*.

The District can make no representations regarding how many District students will transfer to charter schools in the future, or back to the District from such charter schools, and the corresponding financial impact on the District.

Labor Relations

As of March 1, 2017, the District employed 2,154 full-time certificated employees and 684 classified employees. As of such date, the District also employed 1,051 part-time faculty and staff. District employees, with the exception of management and some part-time employees, are represented by the bargaining units noted below:

BARGAINING UNITS Riverside Unified School District

<u>Labor Organization</u>	<u>Contract Expiration</u>
Riverside City Teachers Association	June 30, 2019
California Association of School Employees	June 30, 2018

Source: Riverside Unified School District.

Retirement Programs

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.

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

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

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

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

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

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. While the contribution rate for employees hired after the Implementation Date will remain unchanged at 9.205% of creditable compensation for fiscal year commencing July 1, 2017, the STRS actuary currently estimates that member contribution rates for such members will have to increase to 10.205% of creditable compensation effective July 1, 2018, based on the new actuarial assumptions discussed below.

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

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

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

Source: AB 1469.

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

The District's contributions to STRS were \$12,996,937 in fiscal year 2011-12, \$13,219,062 in fiscal year 2012-13, \$13,762,050 in fiscal year 2013-14, \$25,511,151 in fiscal year 2014-15 and

\$21,870,566 in fiscal year 2015-16. The District has projected its contribution to STRS for fiscal year 2016-17 to be \$27,319,517.

The State also contributes to STRS, currently in an amount equal to 6.328% of teacher payroll for fiscal year 2016-17. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. For the first time, in fiscal year 2017-18, the State contribution rate will increase 0.5% of covered payroll (the maximum rate increase allowed per year under current law) to 6.828%.

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014 included 1,580 public agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.847% of eligible salary expenditures for fiscal year 2015-16 and 13.888% in fiscal year 2016-17. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6% of their respective salaries for fiscal year 2015-16 and fiscal year 2016-17. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were \$7,865,173 in fiscal year 2011-12, \$8,350,917 in fiscal year 2012-13, \$7,089,027 in fiscal year 2013-14, \$6,396,320 in fiscal year 2014-15 and \$7,241,357 in fiscal year 2015-16. The District has projected its contribution to PERS for fiscal year 2016-17 to be \$10,237,008.

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

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2010-11 through 2015-16

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA) ⁽²⁾</u>	<u>Unfunded Liability (MVA) ⁽²⁾⁽³⁾</u>	<u>Value of Trust Assets (AVA) ⁽⁴⁾</u>	<u>Unfunded Liability (AVA) ⁽⁴⁾</u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA) ⁽²⁾</u>	<u>Unfunded Liability (MVA) ⁽²⁾</u>	<u>Value of Trust Assets (AVA) ⁽⁴⁾</u>	<u>Unfunded Liability (AVA) ⁽⁴⁾</u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- ⁽⁵⁾	-- ⁽⁵⁾
2014-15	73,325	56,814	16,511	-- ⁽⁵⁾	-- ⁽⁵⁾

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets.

⁽³⁾ Excludes assets allocated to the SBPA reserve.

⁽⁴⁾ Reflects actuarial value of assets.

⁽⁵⁾ Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member’s increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the “2016 Actuarial Valuation”). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation, and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2016 Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on the change in actuarial assumptions adopted by the STRS Board, recent investment experience and the insufficiency of the contributions received in fiscal year 2015-16 to cover interest on the unfunded actuarial obligation, the 2016 Actuarial Valuation reports that the unfunded actuarial obligation increased by \$20.5 billion since the June 30, 2015 actuarial valuation and the funded ratio decreased by 4.8% to 63.7% over such time period. Had the investment rate of return been lowered to 7.00% for the 2016 Actuarial Valuation, the unfunded actuarial obligation and the funded ratio would have been \$105.1 billion and 61.8%, respectively. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2016 Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be sufficient to finance its obligations, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over the next three years in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate will go into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans and a 2-5% increase for most safety plans.

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

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS

system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions will first be reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

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

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

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability,

deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

For more information, see “APPENDIX B – 2015-16 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11” attached hereto.

Other Post Employment Benefits

Benefit Plan. The District currently provides post-employment health care benefits (the “Post-Employment Benefits”) to eligible retired certificated, classified and management employees. Benefit levels, and retiree and District contribution requirements, vary by retiree type. Membership in the plan currently consists of 399 retirees receiving benefits and 3,144 active members.

Funding Policy. Currently, the District funds the Post-Employment Benefits on a “pay-as-you-go” basis to cover the cost of current premiums. During fiscal year 2014-15, the District recognized total expenditures of \$1,072,288 for the Post-Employment Benefits. During fiscal year 2015-16, the District recognized \$1,565,517 of total expenditures for the Post-Employment Benefits. For fiscal year 2016-17, the District has projected \$1,476,593 of total expenditures for the Post-Employment Benefits.

The District has also established an irrevocable trust to fund its accrued liability for the Post-Employment Benefits (the “OPEB Trust”). The District has made an initial contribution of \$10 million to the OPEB Trust and anticipates contributing an additional \$10 million during the fiscal year 2016-17. Future contributions will be determined by the Board through the annual budget.

Accrued Liability. The District has implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, pursuant to which the District has commissioned and received several actuarial studies of its outstanding liabilities with respect to the OPEB. The most recent of these studies (the “Study”), determined that the actuarial accrued liability (“AAL”) with respect to the OPEB, as of a July 1, 2014 valuation date, was \$45,032,751, and the unfunded actuarial accrued liability (“UAAL”) with respect to the OPEB was also \$45,032,751. The Study also concluded that the annual required contributions (the “ARC”) are projected to be \$5,307,320 for the District’s fiscal year 2015-16. The ARC is the amount that would be necessary to fund the value of future benefits earned by current employees during each fiscal year (the “Normal Cost”) and the amount necessary to amortize the UAAL, in accordance with the GASB Statements Nos. 43 and 45; the ARC is expected to increase each year based on covered payroll.

As of June 30, 2016, the District recognized a net balance sheet liability (the “Net OPEB Obligation”) of \$17,641,489 with respect to its accrued liability for the Post-Employment Benefits. The Net OPEB Obligation is based on the District’s contributions towards the ARC during fiscal year 2015-16, plus interest on the prior year’s Net OPEB Obligation and minus any adjustments to reflect the amortization thereof. See “APPENDIX B – 2015-16 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12” attached hereto.

Risk Management

The Property and Liability Program, for which the District retains risk of loss, is administered by the District's Self-Insurance Fund. Excess property and liability coverage is obtained through Alliance of

Schools for Cooperative Insurance Program (“ASCIP”). Property claims in excess of \$25,000 self-insured retention are covered up to \$500,000,000 per occurrence through ASCIP. Liability claims in excess of \$100,000 self-insured retention are covered up to \$30,000,000 per occurrence through ASCIP. Liability claims in excess of \$30,000,000 are covered up to \$55,000,000 through Schools Excess Liability Fund (“SELF”). Workers’ Compensation claims in excess of a \$350,000 self-insured retention are covered up to \$1,000,000 per occurrence through ASCIP. The relationship between the District and ASCIP and SELF is such that neither ASCIP nor SELF are a component unit of the District for financial reporting purposes.

While there are currently pending claims against the District, the District does not expect that the potential liability associated with such claims would exceed available insurance coverages. Settled claims have not exceeded available insurance coverages in the past three fiscal years. Based upon prior claims experience, the District believes that it has adequate insurance coverage.

District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2016, is shown below:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
General Obligation Bonds:				
Principal Payments	\$133,140,000	\$53,365,000	\$52,355,000	\$134,150,000
Unamortized Issuance Premium	<u>7,806,506</u>	<u>--</u>	<u>572,950</u>	<u>7,233,556</u>
Total G.O. Bonds	140,946,506	53,365,000	52,927,950	141,383,556
Certificates of Participation	21,145,000	3,673,026	4,880,000	19,938,026
Compensated Absences	4,822,461	420,415	--	5,242,876
Claims Liabilities	7,285,363	--	1,152,995	6,132,368
Other Postemployment Benefits	17,038,900	602,589	--	17,641,489
Net Pension Liability	<u>268,921,420</u>	<u>71,269,324</u>	<u>-</u>	<u>340,190,744</u>
Totals	<u>\$460,159,650</u>	<u>\$129,330,354</u>	<u>\$58,960,945</u>	<u>\$530,529,059</u>

Source: Riverside Unified School District.

General Obligation Bonds. The following table summarizes the prior outstanding general obligation bond issuances by the District (not including the Bonds).

OUTSTANDING GENERAL OBLIGATION BOND ISSUANCES Riverside Unified School District

<u>Issuance</u>	<u>Initial Principal</u> <u>Amount</u>	<u>Principal</u> <u>Outstanding⁽¹⁾</u>	<u>Date of Delivery</u>
2011 Refunding Bonds	\$46,125,000.00	\$32,420,000.00	February 1, 2011
2015 Refunding Bonds	48,810,000.00	44,450,000.00	June 17, 2015
2016 Refunding Bonds	53,365,000.00	52,350,000.00	May 25, 2016

⁽¹⁾ As of February 1, 2017.

The annual debt service requirements on the District’s outstanding general obligation bonded debt, including the Bonds (and assuming no optional redemptions), is shown in the table on the following page.

GENERAL OBLIGATION BOND ANNUAL DEBT SERVICE
Riverside Unified School District

Maturity (August 1)	2011 Refunding Bonds⁽¹⁾	2015 Refunding Bonds	2016 Refunding Bonds	The Bonds	Total Debt Service
2017	\$750,850.00	\$3,528,700.00	\$1,433,044.35	\$790,833.54	\$6,503,427.89
2018	3,059,900.00	4,441,150.00	2,492,151.20	17,868,637.50	27,861,838.70
2019	3,167,800.00	4,358,150.00	2,487,359.40	18,006,987.50	28,020,296.90
2020	3,273,600.00	4,257,900.00	2,486,553.00	6,201,987.50	16,220,040.50
2021	3,386,900.00	4,161,150.00	2,489,084.00	5,761,987.50	15,799,121.50
2022	4,967,600.00	2,707,650.00	2,490,433.50	5,991,487.50	16,157,171.00
2023	4,262,725.00	3,345,150.00	2,495,697.30	6,232,737.50	16,336,309.80
2024	5,066,100.00	2,607,400.00	2,494,760.50	6,479,237.50	16,647,498.00
2025	5,068,975.00	2,606,400.00	2,497,613.00	4,489,737.50	14,662,725.50
2026	4,699,850.00	2,946,900.00	2,494,374.26	4,669,987.50	14,811,111.76
2027	4,579,800.00	3,071,650.00	2,490,155.50	3,640,987.50	13,782,593.00
2028	--	7,610,400.00	2,492,741.26	3,792,487.50	13,895,628.76
2029	--	7,571,900.00	2,539,578.00	3,942,737.50	14,054,215.50
2030	--	7,524,450.00	2,578,980.50	4,099,837.50	14,203,268.00
2031	--	--	6,936,136.00	4,260,125.00	11,196,261.00
2032	--	--	6,934,260.50	4,437,000.00	11,371,260.50
2033	--	--	6,934,323.00	4,611,600.00	11,545,923.00
2034	--	--	6,930,035.50	4,795,000.00	11,725,035.50
2035	--	--	6,936,185.50	4,986,400.00	11,922,585.50
2036	--	--	6,931,923.00	5,184,650.00	12,116,573.00
2037	--	--	6,932,248.00	5,394,150.00	12,326,398.00
2038	--	--	6,932,064.00	5,613,400.00	12,545,464.00
2039	--	--	--	5,833,400.00	5,833,400.00
2040	--	--	--	6,072,000.00	6,072,000.00
2041	--	--	--	6,312,800.00	6,312,800.00
Total	<u>\$42,284,100.00</u>	<u>\$60,738,950.00</u>	<u>\$89,429,701.27</u>	<u>\$149,470,196.04</u>	<u>\$341,922,947.31</u>

⁽¹⁾ Semi-annual interest payments thereon are due each February 1 and August 1. Principal thereof payable on February 1 of each year.

Certificates of Participation; Lease Obligations. On May 1, 2009, the District executed and delivered its Refunding Certificates of Participation, Series A of 2009 (the “2009 Certificates”) in the aggregate principal amount of \$8,605,000. The following table displays the total annual debt service requirements of the District for the 2009 Certificates:

**CERTIFICATES OF PARTICIPATION INDEBTEDNESS – ANNUAL DEBT SERVICE
REQUIREMENTS
Riverside Unified School District**

Maturity (September 1)	<u>2009 Certificates</u>
2017	\$569,168.75
2018	716,337.50
2019	717,981.26
2020	718,218.76
2021	716,393.76
2022	717,406.26
2023	716,568.76
2024	713,818.76
2025	714,093.76
2026	717,068.76
2027	<u>717,400.00</u>
Total	<u>\$7,734,456.33</u>

On June 1, 2015, the District executed and delivered its 2015 Lease (the “2015 Lease”) in the aggregate principal amount of \$10,000,000. On March 4, 2016, the District executed and delivered its 2016 Refunding Lease (the “2016 Lease”) in the aggregate principal amount of \$3,673,026 to refinance prior certificates of participation of the District. The following table displays the total annual debt service requirements of the District for the 2015 Lease and the 2016 Lease:

**LEASE OBLIGATIONS – ANNUAL DEBT SERVICE REQUIREMENTS
Riverside Unified School District**

Year Ending <u>June 30</u>	<u>2015 Lease</u>	<u>2016 Lease</u>	Total Annual <u>Debt Service</u>
2018	\$475,904.34	\$475,904.34	\$951,808.68
2019	471,490.55	471,490.55	942,981.10
2020	350,107.08	350,107.08	700,214.16
2021	350,307.67	350,307.67	700,615.34
2022	349,905.52	349,905.52	699,811.04
2023	352,915.92	352,915.92	705,831.84
2024	351,109.83	351,109.83	702,219.66
2025	352,714.89	352,714.89	705,429.78
2026	349,504.75	349,504.75	699,009.50
2027	<u>349,705.76</u>	<u>349,705.76</u>	<u>699,411.52</u>
Total	<u>\$3,753,666.31</u>	<u>\$4,224,183.81</u>	<u>\$7,977,850.12</u>

Community Facilities District Bonds. The District has established several community facilities districts (each, a “CFD”) under the Mello Roos Community Facilities Act of 1982, as amended (Government Code Sections 53311 *et seq.*) for the purpose of raising funds for the construction and acquisition of elementary, middle and high school and certain other public facilities within specified areas of the District. Each of the CFDs established by the District has sold special tax bonds (the “Special Tax Bonds”) payable from a special tax (each, a “Special Tax”) to be levied on all taxable property within the respective CFDs, pursuant to a rate and method of apportionment of special taxes (each, an “RMA”) approved by registered voters of each CFD.

Special Tax Bonds issued by a CFD are special obligations thereof, payable solely from the net proceeds of the Special Tax levied within such CFD. The District’s general fund is not a source of payment for the Special Tax Bonds issued by any CFD. Each CFD has covenanted to levy in each year an amount of Special Taxes sufficient to pay any amounts necessary to fund specified administration costs of the CFD as well as the debt service coming due on all outstanding Special Tax Bonds of such CFD in such year.

The District’s CFDs have bonded debt outstanding as shown in the table on the following page.

[REMAINDER OF PAGE LEFT BLANK]

SPECIAL TAX BOND DEBT
Riverside Unified School District Community Facilities Districts
Effective through August 31, 2017

<u>Name of CFD</u>	<u>Date of Issuance</u>	<u>Initial Principal Amount</u>	<u>Principal Currently Outstanding</u>
No. 26	2/12/2009	\$2,265,000	\$1,595,000
No. 20	4/14/2010	1,615,000	1,390,000
No. 2 ⁽¹⁾	8/15/2012	3,325,000	1,170,000
No. 3 ⁽¹⁾	8/15/2012	250,000	90,000
No. 4 ⁽¹⁾	8/15/2012	335,000	175,000
No. 6 (IA No. 1) ⁽¹⁾	8/15/2012	1,525,000	1,265,000
No. 6 (IA No. 2) ⁽¹⁾	8/15/2012	1,760,000	1,470,000
No. 8 ⁽¹⁾	8/15/2012	600,000	480,000
No. 9 (IA No. 1,3,5) ⁽¹⁾	8/15/2012	3,265,000	2,765,000
No. 9 (IA No. 2) ⁽¹⁾	8/15/2012	1,860,000	1,580,000
No. 9 (IA No. 4) ⁽¹⁾	8/15/2012	2,005,000	1,695,000
No. 12 ⁽¹⁾	8/15/2012	5,895,000	5,330,000
No. 15 (IA No. 1) ⁽¹⁾	8/15/2012	14,530,000	12,640,000
No. 15 (IA No. 3) ⁽¹⁾	8/15/2012	4,400,000	4,045,000
No. 15 (IA No. 3)	4/25/2013	6,165,000	5,625,000
No. 27 ⁽¹⁾	8/15/2012	1,530,000	1,390,000
No. 11 ⁽¹⁾	8/15/2012	1,585,000	1,380,000
No. 16 ⁽¹⁾	8/15/2012	4,195,000	3,645,000
No. 10 ⁽²⁾	2/12/2015	1,100,000	1,035,000
No. 13 (IA No. 1) ⁽²⁾	2/12/2015	5,440,000	4,985,000
No. 14 ⁽²⁾	2/12/2015	4,540,000	4,180,000
No. 15 (IA No. 2) ⁽²⁾	2/12/2015	14,155,000	13,030,000
No. 17 ⁽²⁾	2/12/2015	2,240,000	2,115,000
No. 18 ⁽²⁾	2/12/2015	2,080,000	1,905,000
No. 21 (IA No. 2) ⁽²⁾	2/12/2015	2,785,000	2,655,000
No. 22 ⁽²⁾	2/12/2015	3,835,000	3,530,000
No. 24 ⁽²⁾	2/12/2015	<u>4,805,000</u>	<u>4,565,000</u>
TOTALS		<u>\$98,085,000</u>	<u>\$85,730,000</u>

⁽¹⁾ Secures the 2012 Series A PFA Bonds and 2012 Series B PFA Bonds (as defined herein). See "-- Public Financing Authority Bonds" herein.

⁽²⁾ Secures the 2015 Refunding PFA Bonds (as defined herein). See "-- Public Financing Authority Bonds" herein.

The following table shows the combined debt service on Special Tax Bonds not associated with PFA Bonds (as defined herein). For a schedule of debt service on the PFA Bonds, see "– Public Financing Authority Bonds" herein.

SPECIAL TAX BONDS - ANNUAL DEBT SERVICE REQUIREMENTS (NON-PFA BONDS)⁽¹⁾
Riverside Unified School District Community Facility Districts

<u>Year Ending (September 1)</u>	<u>CFD No. 26 2008 Series A</u>	<u>CFD No. 20 2010 Series A</u>	<u>CFD No. 15 (IA3) 2013 Series C</u>	<u>Total Annual Debt Service</u>
2017	\$101,168.75	\$69,134.38	\$257,318.75	\$427,621.88
2018	170,237.50	117,050.00	371,600.00	658,887.50
2019	168,137.50	115,512.50	402,700.00	686,350.00
2020	171,037.50	113,937.50	377,750.00	662,725.00
2021	168,150.00	117,325.00	378,400.00	663,875.00
2022	165,262.50	115,225.00	383,525.00	664,012.50
2023	167,375.00	118,125.00	377,925.00	663,425.00
2024	164,075.00	115,725.00	386,525.00	666,325.00
2025	165,775.00	113,325.00	379,525.00	658,625.00
2026	166,837.50	115,925.00	377,525.00	660,287.50
2027	162,462.50	118,112.50	375,325.00	655,900.00
2028	163,087.50	114,987.50	372,693.76	650,768.76
2029	168,275.00	116,862.50	379,618.76	664,756.26
2030	167,587.50	113,425.00	375,906.26	656,918.76
2031	166,112.50	114,987.50	371,718.76	652,818.76
2032	164,175.00	116,012.50	377,312.50	657,500.00
2033	166,775.00	116,706.26	376,962.50	660,443.76
2034	168,450.00	117,068.76	386,162.50	671,681.26
2035	169,200.00	117,100.00	324,137.50	610,437.50
2036	164,025.00	116,800.00	324,425.00	605,250.00
2037	163,387.50	116,168.76	319,250.00	598,806.26
2038	166,825.00	115,206.26	308,000.00	590,031.26
2039	163,875.00	113,912.50	276,750.00	554,537.50
2040	--	117,287.50	661,500.00	778,787.50
2041	--	--	661,500.00	661,500.00
TOTALS	<u>\$3,762,293.75</u>	<u>\$2,735,921.92</u>	<u>\$9,584,056.29</u>	<u>\$16,082,271.96</u>

⁽¹⁾ Excludes debt service on the CFD Bonds that were acquired by the PFA to provide revenues to secure the PFA Bonds. See "– Public Financing Authority Bonds – PFA Bonds – Annual Debt Service Requirements" herein for a schedule of the debt service due on all of the outstanding PFA Bonds.

Public Financing Authority Bonds. The District created the Riverside Unified School District Public Financing Authority (the “PFA”) to refinance certain debt of the District’s CFDs. The PFA has issued bonds in order to acquire certain Special Tax Bonds of some of the District’s CFDs, which Special Tax Bonds were issued to refund prior Special Tax Bonds issued by those CFDs. On August 15, 2012, the PFA issued \$36,830,000 aggregate principal amount of its Revenue Bonds, 2012 Series A (Superior Lien Bonds) (the “2012 Series A PFA Bonds”). Concurrently with the 2012 Series A PFA Bonds, the PFA issued \$10,230,000 aggregate principal amount of its Revenue Bonds, 2012 Series B (Subordinate Lien Bonds) (the “2012 Series B PFA Bonds”). On February 12, 2015, the PFA issued \$40,980,000 aggregate principal amount of its 2015 Special Tax Revenue Refunding Bonds (the “2015 Refunding PFA Bonds” and, together with the 2012 Series A PFA Bonds and the 2012 Series B PFA Bonds, the “PFA Bonds”).

The PFA Bonds are limited obligations of the PFA payable solely from revenues of the PFA, consisting primarily of payments received by the PFA from the respective CFDs in connection with the Special Tax Bonds acquired by the PFA. The payments from the respective CFDs to the PFA consist of Special Taxes levied in the respective CFDs. The District’s general fund is not a source of payment for the PFA Bonds. The following table shows the annual debt service on the outstanding PFA Bonds.

PFA BONDS – ANNUAL DEBT SERVICE REQUIREMENTS
Riverside Unified School District Public Financing Authority

Year Ending (September 1)	2012 Series A PFA Bonds	2012 Series B PFA Bonds	2015 Refunding PFA Bonds	Total Annual Debt Service
2017	\$2,415,000.00	\$655,248.13	\$2,067,437.50	\$5,137,685.63
2018	3,158,200.00	831,096.26	3,034,675.00	7,023,971.26
2019	2,573,800.00	676,246.26	3,039,425.00	6,289,471.26
2020	2,572,800.00	674,708.76	3,050,925.00	6,298,433.76
2021	2,508,800.00	656,933.76	3,058,675.00	6,224,408.76
2022	2,499,800.00	663,433.76	3,077,675.00	6,240,908.76
2023	2,508,050.00	658,233.76	3,097,175.00	6,263,458.76
2024	2,467,550.00	647,633.76	3,123,325.00	6,238,508.76
2025	2,510,550.00	661,833.76	3,128,325.00	6,300,708.76
2026	2,492,800.00	659,833.76	3,143,825.00	6,296,458.76
2027	2,507,050.00	661,793.76	3,164,075.00	6,332,918.76
2028	2,506,550.00	662,243.76	3,188,575.00	6,357,368.76
2029	2,501,800.00	660,043.76	3,196,825.00	6,358,668.76
2030	2,312,800.00	646,918.76	3,209,325.00	6,169,043.76
2031	2,183,550.00	608,331.26	3,240,575.00	6,032,456.26
2032	1,821,300.00	510,437.50	3,254,325.00	5,586,062.50
2033	1,717,800.00	456,012.50	3,271,075.00	5,444,887.50
2034	1,720,800.00	452,725.00	3,285,325.00	5,458,850.00
2035	710,050.00	183,725.00	2,911,825.00	3,805,600.00
2036	711,050.00	181,600.00	694,575.00	1,587,225.00
2037	705,550.00	179,237.50	252,962.50	1,137,750.00
2038	713,800.00	181,637.50	--	895,437.50
2039	306,800.00	78,562.50	--	385,362.50
TOTALS	<u>\$46,126,250.00</u>	<u>\$12,248,470.77</u>	<u>\$59,490,925.00</u>	<u>\$117,865,645.77</u>

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants

and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS OR THE MARKET VALUE OF THE

BONDS. TAX REFORM PROPOSALS ARE BEING CONSIDERED BY CONGRESS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES MIGHT BE INTRODUCED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL OR STATE INCOME TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed forms of opinion of Bond Counsel for the Bonds are attached hereto as APPENDIX A.

LIMITATION ON REMEDIES; BANKRUPTCY

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

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to

payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

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

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

Possession of Tax Revenues; Remedies. The County on behalf of the District is expected to be in possession of the *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County’s pooled investment fund, as described in “THE BONDS – Application and Investment of Bond Proceeds” herein and “APPENDIX E – RIVERSIDE COUNTY POOLED INVESTMENT FUND” attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinions of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor’s Rights. The proposed forms of the approving opinions of Bond Counsel attached hereto as APPENDIX A are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. Bankruptcy proceedings, if initiated, could subject the

owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

LEGAL MATTERS

Legality for Investment in California

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

Expanded Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Continuing Disclosure

Current Undertaking. The District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (which currently ends June 30), commencing with the report for the 2016-17 Fiscal Year, and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. In connection with prior issuances, the District, the District’s CFDs and the PFA established by the District (collectively, the “District Entities”) have undertaken to provide certain financial information and operating data relating to the respective District Entities. Within the past five years, the District failed to file in a timely manner the annual reports or portions of the annual reports for fiscal years 2011-12 and 2012-13 required in connection with certain of the District’s then-outstanding general obligation bonds and certificates of participation. In addition, the District Entities failed to file in a timely manner certain notices of listed events.

Litigation

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

Financial Statements

The District's audited financial statements with supplemental information for the year ended June 30, 2016, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 6, 2016, of Nigro & Nigro, P.C. (the "Auditor"), are included in this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor herein, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Legal Opinion

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

MISCELLANEOUS

Ratings

The Bonds have been assigned ratings of "Aa2" by Moody's and "AA-" by S&P. The ratings reflect only the views of the rating agencies, and any explanation of the significance of such ratings should be obtained therefrom. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

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

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

Underwriting

Purchase of Bonds. Piper Jaffray & Co. (the "Underwriter") has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Bonds. The Underwriter will purchase the Bonds for a purchase price of \$108,874,455.35 (consisting of the principal amount of the Bonds of \$100,000,000.00 plus original issue premium of \$9,374,455.35, less Underwriter's discount of \$500,000.00).

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

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

Distribution Agreements. Piper Jaffray & Co. has entered into a distribution agreement (the “Schwab Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Schwab Agreement, CS&Co. will purchase Bonds from Piper Jaffray & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Additional Information

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

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

By: /s/ Dr. David C. Hansen
Superintendent

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

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

May 25, 2017

Board of Education
Riverside Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$100,000,000 Riverside Unified School District 2016 General Obligation Bonds, Series A (the “Bonds”). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Government Code Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State of California (the “Act”), commencing with Section 53506 *et seq.*, a fifty-five percent vote of the qualified electors of the Riverside Unified School District (the “District”) voting at an election held on November 8, 2016, and a resolution of the Board of Education of the District (the “Resolution”).

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

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

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

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the

Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

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

Respectfully submitted,

APPENDIX B

2015-16 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

[THIS PAGE INTENTIONALLY LEFT BLANK]

**RIVERSIDE UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2016**



RIVERSIDE UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2016

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
Proprietary Fund Financial Statements:	
Statement of Net Position.....	17
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	18
Statement of Cash Flows	19
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position.....	20
Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements	22

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund.....	50
Budgetary Comparison Schedule – Cafeteria Fund	51
Schedule of Funding Progress	52
Schedule of Proportionate Share of the Net Pension Liability	53
Schedule of Contributions	54
Notes to the Required Supplementary Information	55

SUPPLEMENTARY INFORMATION

Local Educational Agency Organization Structure	57
Schedule of Average Daily Attendance	58
Schedule of Instructional Time	59
Schedule of Financial Trends and Analysis.....	60
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	61
Schedule of Expenditures of Federal Awards	62
Schedule of Charter Schools	63
Combining Statements – Non-Major Funds:	
Balance Sheet	64
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	65
Note to the Supplementary Information.....	66

RIVERSIDE UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2016

Table of Contents

OTHER INDEPENDENT AUDITORS' REPORTS

Page

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	67
Independent Auditors' Report on State Compliance	69
Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	71

FINDINGS AND QUESTIONED COSTS

Schedule of Audit Findings and Questioned Costs:	
Summary of Auditors' Results	73
Current Year Audit Findings and Questioned Costs	74
Summary Schedule of Prior Audit Findings	77

Financial Section

(This page intentionally left blank)

INDEPENDENT AUDITORS' REPORT

Board of Education
Riverside Unified School District
Riverside, 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 Riverside Unified School District, as of and for the fiscal year ended June 30, 2016, 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 *2015-16 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 Riverside Unified School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows 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 on pages 3 through 10, budgetary comparison information on pages 50 and 51, schedule of funding progress on page 52, schedule of proportionate share of the net pension liability on page 53, and schedule of contributions on page 54 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 58 to 61 and the schedule of expenditures of federal awards on page 62 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 57 and 63 have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016, 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 6, 2016

RIVERSIDE UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2016

This discussion and analysis of Riverside Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Net position of governmental activities increased by approximately \$29.1 million, or 12.7%.
- Governmental expenses were about \$470.4 million. Revenues were about \$499.5 million.
- The District spent over \$22.4 million in new capital assets during the year.
- The District increased its outstanding long-term debt by \$70.3 million.
- Grades K-12 average daily attendance (ADA) decreased by 288, or 0.7%.

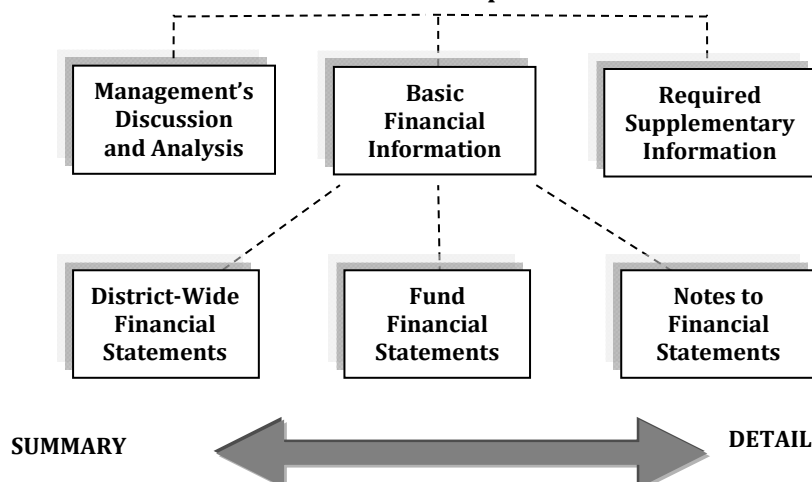
OVERVIEW OF THE FINANCIAL STATEMENTS

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.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.
 - *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 Riverside 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.



RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

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

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<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	Activities of the District that operate like a business, such as self-insurance funds	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>	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
<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	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	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	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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2016

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*. Most of the District's basic services are included here, 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 it is properly using certain revenues.

The District has three 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.
- ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for workers' compensation claims and liability and property losses.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- **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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2016, than it was the year before – increasing 12.7% to \$258.8 million (See Table A-1).

Table A-1

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2016	2015	
Current assets	\$ 252.9	\$ 236.1	\$ 16.8
Capital assets	533.7	528.1	5.6
Total assets	786.6	764.2	22.4
Total deferred outflows	75.8	26.0	49.8
Current liabilities	28.0	28.8	(0.8)
Long-term liabilities	530.5	460.2	70.3
Total liabilities	558.5	489.0	69.5
Total deferred inflows	45.1	71.5	(26.4)
Net position			
Net investment in capital assets	393.0	388.9	4.1
Restricted	62.7	71.5	(8.8)
Unrestricted	(196.9)	(230.7)	33.8
Total net position	\$ 258.8	\$ 229.7	\$ 29.1

Changes in net position, governmental activities. The District's total revenues increased 16.0% to \$499.5 million (See Table A-2). The increase is due primarily to increased state and local funding.

The total cost of all programs and services increased 11.5% to \$470.4 million. The District's expenses are predominantly related to educating and caring for students, 83.9%. The purely administrative activities of the District accounted for just 4.3% of total costs. A significant contributor to the increase in costs was instructional related expenses.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2016	2015	
Total Revenues	\$ 499.5	\$ 430.7	\$ 68.8
Total Expenses	470.4	422.0	48.4
Increase (decrease) in net position	<u>\$ 29.1</u>	<u>\$ 8.7</u>	<u>\$ 20.4</u>

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 \$180.2 million, which is above last year's ending fund balance of \$162.1 million. The primary cause of the increased fund balance is increased state and federal funding.

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 \$32.0 million primarily to reflect changes in estimates from federal and state sources.
- Expenditures – increased \$46.3 million mainly due to re-budget carryover funds and for increased personnel costs.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$9.6 million, the actual results for the year show that revenues exceeded expenditures by roughly \$30.3 million. Actual revenues were \$9.6 million less than anticipated, but expenditures were \$49.5 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2016, that will be carried over into the 2016-17 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the District had invested \$22.4 million in new capital assets, related to the District's facility acquisition and modernization plan. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was approximately \$16.8 million.

Table A-3: Capital Assets at Year End, net of Depreciation

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2016	2015	
Land	\$ 46.0	\$ 41.1	\$ 4.9
Buildings and improvements	475.5	480.3	(4.8)
Furniture and equipment	1.9	2.4	(0.5)
Construction in progress	10.3	4.3	6.0
Total	<u>\$ 533.7</u>	<u>\$ 528.1</u>	<u>\$ 5.6</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$530.5 million in general obligation bonds, certificates of participation, claims liabilities, employment benefits, and net pension liability – an increase of 15.3% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance
	(In millions)		Increase
	2016	2015	(Decrease)
General obligation bonds	\$ 141.4	\$ 141.0	\$ 0.4
Certificates of participation	19.9	21.2	(1.3)
Compensated absences	5.2	4.8	0.4
Claims liabilities	6.1	7.3	(1.2)
Other postemployment benefits	17.7	17.0	0.7
Net pension liability	340.2	268.9	71.3
Total	\$ 530.5	\$ 460.2	\$ 70.3

FACTORS BEARING ON THE DISTRICT'S FUTURE

Evolution of the Budget

The Legislature passed the final budget package on June 15, 2016. Total reserves in the final budget package were lower by only \$36 million compared to the Governor's proposal in May. Various choices were made to shift spending priorities compared to the Governor's proposal. Budget savings resulted from (1) reduced spending on state office buildings, (2) shifting funding for the construction of local jails from General Fund to bond funds, and (3) reduced retiree health spending due to lower than expected healthcare costs. Correspondingly, the final budget deal reflected higher spending for affordable housing programs, repealing the MFG policy, and various public safety programs.

The Governor signed the *2016-17 Budget Act* and 14 budget-related bills on June 27, 2016 and July 1, 2016. The Governor did not veto any appropriations.

Proposition 98

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. Below, we provide an overview of Proposition 98 funding and spending changes under the enacted budget package. We then highlight Proposition 98 spending changes specifically for K-12 education.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Minimum Guarantee

Proposition 98 Funding Revised Upward Across Three-Year Period

Proposition 98 establishes a minimum funding requirement commonly called the minimum guarantee. Compared with the estimates from June 2015, the 2014-15 and 2015-16 guarantees have increased by \$843 million and \$641 million, respectively. These upward revisions are due primarily to increases in state revenue relative to the amounts assumed in last year's budget package. The estimate of the 2016-17 minimum guarantee is \$3.5 billion (5.1 percent) higher than the *2015-16 Budget Act* level.

Two Key Drivers of Increase in 2016-17

Total funding for all segments in 2016-17 is \$71.9 billion, a \$2.8 billion (4.1 percent) increase above the revised 2015-16 level. This change in the guarantee reflects 3.6 percent growth in the "Test 3 factor" combined with a supplemental appropriation of \$502 million. The Test 3 factor consists of 3.1 percent growth in per capita General Fund plus an additional 0.5 percent increase set forth in the State Constitution. The supplemental appropriation ensures that the minimum guarantee grows at least as quickly as the rest of the state budget.

Increase Covered About Evenly From Higher State General Fund and Local Property Tax Revenue

Of total Proposition 98 funding in 2016-17, \$51.1 billion is state General Fund and \$20.8 billion is local property tax revenue. From 2015-16 to 2016-17, state General Fund increases by \$1.3 billion (accounting for slightly less than half of the \$2.8 billion increase in the guarantee) and local property tax revenue increases by \$1.5 billion (accounting for slightly more than half of the increase in the guarantee). The primary factor explaining the growth in property tax revenue is the strong 6.2 percent increase in assessed property values. In addition, the budget plan assumes property tax revenue increases by \$419 million due to the triple flip ending, thereby completing the shift of revenue from cities, counties, and special districts to school districts and community colleges.

New Maintenance Factor Created in 2016-17

In 2014-15, General Fund tax revenue increased by 11 percent over the prior-year level, resulting in a maintenance factor payment of \$5.7 billion—the largest payment the state has ever made. In 2015-16, the budget assumes the state makes an additional maintenance factor payment of \$379 million, reducing the total outstanding obligation to \$155 million. In 2016-17, the budget assumes the state creates \$746 million in new maintenance factor. The amount of new maintenance factor created is based on the difference between the Proposition 98 Test 2 and Test 3 factors. In 2016-17, growth in the Test 2 factor (per capita personal income) is strong (5.4 percent) relative to growth in the Test 3 factor (3.6 percent).

K-12 Education

\$63.3 Billion Proposition 98 Funding for K-12 Education and Preschool Combined

This 2016-17 level is \$2.5 billion (4.1 percent) more than revised 2015-16 funding and \$3.7 billion (6.3 percent) more than the *2015-16 Budget Act* level. The budget increases funding per student by \$440 (4.3 percent) over the *2015-16 Budget Act* level, bringing Proposition 98 funding per student up to \$10,657.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

New Spending

Large Increase for LCFF

The \$2.9 billion augmentation brings total funding for implementing LCFF for school districts and charter schools up to \$55.8 billion, a 5.7 percent increase over the revised 2015-16 level. The administration estimates this funding will close 54 percent of the gap between current funding levels and LCFF target rates, bringing LCFF to 96 percent of its full implementation cost. School districts and charter schools may use LCFF monies for any educational purpose.

Significant Discretionary One-Time Funding

The largest one-time augmentation for K-12 education is \$1.3 billion that LEAs may use for any locally determined purpose. Funding would be distributed based on average daily attendance. If an LEA has unpaid mandate claims, funding would pay all or a portion of those claims. As many LEAs do not have any unpaid claims, we estimate only about half (\$617 million) of the funding provided would reduce the K-12 mandates backlog. We estimate the outstanding K-12 mandates backlog will be \$987 million at the end of 2016-17.

All of these factors were considered in preparing the Riverside Unified School District budget for the 2016-17 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 Mays Kakish, Chief Business Officer and Governmental Relations at Riverside Unified School District, 3380 14th Street Avenue, Riverside, California 92501 or (951) 788-7135.

RIVERSIDE UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2016*

	Total Governmental Activities
ASSETS	
Cash	\$ 225,122,212
Investments	4,652,608
Accounts receivable	22,711,766
Prepaid expenses	65,258
Inventories	365,192
Non-depreciable assets	56,347,962
Depreciable assets	696,386,116
Less, accumulated depreciation	<u>(219,020,716)</u>
Total assets	<u>786,630,398</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	6,260,916
Deferred outflows related to pensions	<u>69,526,067</u>
Total deferred outflows of resources	<u>75,786,983</u>
LIABILITIES	
Accounts payable	24,515,640
Claims liabilities	2,044,124
Unearned revenue	1,486,477
Long-term liabilities:	
Due or payable within one year	6,845,594
Due or payable after one year	<u>523,683,465</u>
Total liabilities	<u>558,575,300</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>45,096,894</u>
NET POSITION	
Net investment in capital assets	392,969,039
Restricted for:	
Capital projects	13,237,167
Debt service	11,620,694
Categorical programs	37,787,630
Unrestricted	<u>(196,869,343)</u>
Total net position	<u>\$ 258,745,187</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instructional Services:					
Instruction	\$ 287,292,449	\$ 1,100,804	\$ 59,168,756	\$ 22,698	\$ (227,000,191)
Instruction-Related Services:					
Supervision of instruction	20,036,645	152,738	7,757,883	-	(12,126,024)
Instructional library, media and technology	3,679,775	180	69,455	-	(3,610,140)
School site administration	29,539,820	2,115	4,016,711	-	(25,520,994)
Pupil Support Services:					
Home-to-school transportation	12,201,079	-	9,993	-	(12,191,086)
Food services	21,673,037	2,535,900	19,689,601	-	552,464
All other pupil services	20,169,575	2,643	4,444,514	-	(15,722,418)
General Administration Services:					
Data processing services	5,887,757	-	-	-	(5,887,757)
Other general administration	14,147,966	156,043	3,400,895	-	(10,591,028)
Plant Services	43,868,579	60,263	701,746	-	(43,106,570)
Ancillary Services	5,025,246	1,208	87,249	-	(4,936,789)
Community Services	60,878	-	704	-	(60,174)
Enterprise Activities	46,928	-	-	-	(46,928)
Interest on Long-Term Debt	6,741,772	-	-	-	(6,741,772)
Other Outgo	63,218	2,562,303	2,385,912	-	4,884,997
Total Governmental Activities	<u>\$ 470,434,724</u>	<u>\$ 6,574,197</u>	<u>\$ 101,733,419</u>	<u>\$ 22,698</u>	<u>(362,104,410)</u>

General Revenues:

Property taxes	86,025,546
Federal and state aid not restricted to specific purpose	300,219,755
Interest and investment earnings	631,475
Miscellaneous	<u>4,314,650</u>
Total general revenues	<u>391,191,426</u>
Change in net position	29,087,016
Net position - July 1, 2015	<u>229,658,171</u>
Net position - June 30, 2016	<u>\$ 258,745,187</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT*Balance Sheet - Governmental Funds**June 30, 2016*

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 113,423,569	\$ 5,690,019	\$ 9,380,409	\$ 46,696,360	\$ 175,190,357
Investments	-	-	-	4,652,608	4,652,608
Accounts receivable	17,969,078	3,207,961	287,332	1,032,694	22,497,065
Due from other funds	3,272,378	1,228	1,120	208,069	3,482,795
Inventories	68,743	296,449	-	-	365,192
Prepaid expenditures	65,258	-	-	-	65,258
Total Assets	<u>\$ 134,799,026</u>	<u>\$ 9,195,657</u>	<u>\$ 9,668,861</u>	<u>\$ 52,589,731</u>	<u>\$ 206,253,275</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 16,703,440	\$ 1,779,354	\$ 2,633,802	\$ 1,195,543	\$ 22,312,139
Due to other funds	184,437	920,236	80,051	1,110,426	2,295,150
Unearned revenue	1,486,477	-	-	-	1,486,477
Total Liabilities	<u>18,374,354</u>	<u>2,699,590</u>	<u>2,713,853</u>	<u>2,305,969</u>	<u>26,093,766</u>
Fund Balances					
Nonspendable	284,001	311,340	-	-	595,341
Restricted	31,291,563	6,184,727	6,955,008	41,234,526	85,665,824
Committed	59,738,542	-	-	8,029,832	67,768,374
Assigned	16,546,212	-	-	1,019,404	17,565,616
Unassigned	8,564,354	-	-	-	8,564,354
Total Fund Balances	<u>116,424,672</u>	<u>6,496,067</u>	<u>6,955,008</u>	<u>50,283,762</u>	<u>180,159,509</u>
Total Liabilities and Fund Balances	<u>\$ 134,799,026</u>	<u>\$ 9,195,657</u>	<u>\$ 9,668,861</u>	<u>\$ 52,589,731</u>	<u>\$ 206,253,275</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2016

Total fund balances - governmental funds \$ 180,159,509

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, at historical cost	\$ 752,734,078	
Accumulated depreciation	(219,020,716)	
Net internal service fund capital assets	<u>(10,004)</u>	533,703,358

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was: (17,641,489)

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 activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (2,094,373)

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 amounts on refunding at the end of the period were: 6,260,916

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

Deferred outflows of resources	69,526,067	
Deferred inflows of resources	<u>(45,096,894)</u>	24,429,173

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:

General obligation bonds payable	141,383,556	
Certificates of participation payable	19,938,026	
Compensated absences payable	5,242,876	
Net pension liability	<u>340,190,744</u>	(506,755,202)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds are: 40,683,295

Total net position - governmental activities \$ 258,745,187

RIVERSIDE UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2016

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 341,417,660	\$ -	\$ -	\$ -	\$ 341,417,660
Federal sources	28,880,295	19,423,889	-	319,284	48,623,468
Other state sources	74,070,561	1,275,702	5,286	7,414,830	82,766,379
Other local sources	10,274,902	2,896,692	3,640,785	10,371,640	27,184,019
Total Revenues	454,643,418	23,596,283	3,646,071	18,105,754	499,991,526
EXPENDITURES					
Current:					
Instruction	274,033,398	-	-	3,678,079	277,711,477
Instruction-related services:					
Supervision of instruction	19,382,262	-	-	471,076	19,853,338
Instructional library, media and technology	3,311,840	-	-	-	3,311,840
School site administration	27,762,967	-	-	591,612	28,354,579
Pupil support services:					
Home-to-school transportation	11,810,358	-	-	-	11,810,358
Food services	10,721	21,818,455	-	5,175	21,834,351
All other pupil services	19,581,305	-	-	56,151	19,637,456
Ancillary services	5,045,013	-	-	-	5,045,013
Community services	60,947	-	-	-	60,947
General administration services:					
Data processing services	5,972,796	-	-	-	5,972,796
Other general administration	13,960,708	-	211,952	43,030	14,215,690
Plant services	38,645,157	350,227	66,418	274,071	39,335,873
Transfers of indirect costs	(1,117,447)	911,965	-	205,482	-
Capital Outlay	5,847,949	1,697,040	2,116,738	14,218,480	23,880,207
Intergovernmental	63,218	-	-	-	63,218
Debt Service:					
Principal	-	-	-	4,160,000	4,160,000
Interest	-	-	-	6,123,225	6,123,225
Issuance costs	-	-	-	675,504	675,504
Total Expenditures	424,371,192	24,777,687	2,395,108	30,501,885	482,045,872
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,272,226	(1,181,404)	1,250,963	(12,396,131)	17,945,654
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	-	-	10,168,230	10,168,230
Interfund transfers out	(3,846,490)	-	-	(6,321,740)	(10,168,230)
Proceeds from refunding certificates of participation	-	-	-	3,673,026	3,673,026
Proceeds from refunding bonds	-	-	-	53,365,000	53,365,000
Transfer to escrow agent for defeased debt	-	-	-	(56,960,142)	(56,960,142)
Total Other Financing Sources and Uses	(3,846,490)	-	-	3,924,374	77,884
Net Change in Fund Balances	26,425,736	(1,181,404)	1,250,963	(8,471,757)	18,023,538
Fund Balances, July 1, 2015	89,998,936	7,677,471	5,704,045	58,755,519	162,135,971
Fund Balances, June 30, 2016	\$ 116,424,672	\$ 6,496,067	\$ 6,955,008	\$ 50,283,762	\$ 180,159,509

RIVERSIDE 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, 2016

Total net change in fund balances - governmental funds **\$ 18,023,538**

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, governmental funds	22,410,332	
Expenditures for capital outlay, internal service fund	(10,004)	
Depreciation expense	<u>(16,844,863)</u>	
Net:		5,555,465

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 a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 57,235,000

The issuance of long-term debt is reported in the governmental funds as a source of financing, but in the government-wide statements it is not reported in the statement of activities, but rather as a long-term liability in the statement of net position. Debt issued, net of issuance premiums, during the period was: (57,038,026)

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was: (602,589)

In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized over the life of the debt. Amortization of the premium for the period is: 572,950

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 governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the debt. The difference between current year amounts and the current year amortization is: 3,355,644

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 the accrual basis pension costs and actual employer contributions was: 1,594,145

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: 13,507

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*.) This year vacation leave earned exceeded the amounts used by: (420,415)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net increase in the internal service fund was: 797,797

Change in net position of governmental activities **\$ 29,087,016**

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2016

	Governmental Activities Internal Service Fund
ASSETS	
Cash	\$ 49,931,855
Accounts receivable	214,701
Due from other funds	12,629
Equipment, net of depreciation	<u>10,004</u>
Total assets	<u>50,169,189</u>
LIABILITIES	
Accounts payable	109,128
Due to other funds	1,200,274
Claims liabilities, current portion	2,044,124
Claims liabilities, long-term portion	<u>6,132,368</u>
Total liabilities	<u>9,485,894</u>
NET POSITION	
Restricted	<u><u>\$ 40,683,295</u></u>

RIVERSIDE UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2016*

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
State revenue	\$ 646
Charges to other funds	19,011,620
Other local revenues	<u>703,321</u>
Total operating revenues	<u>19,715,587</u>
OPERATING EXPENSES	
Certificated salaries	12,281
Classified salaries	437,929
Employee benefits	146,404
Books and supplies	177,827
Services and other operating expenditures	<u>18,391,709</u>
Total operating expenses	<u>19,166,150</u>
Operating Income (Loss)	<u>549,437</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	<u>248,360</u>
Total non-operating revenues (expenses)	<u>248,360</u>
Change in net position	797,797
Net position, July 1, 2015	<u>39,885,498</u>
Net position, June, 30, 2016	<u><u>\$ 40,683,295</u></u>

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 20,120,842
Cash payments for payroll, insurance and operating expenses	<u>(19,885,828)</u>
Net cash provided (used) by operating activities	<u>235,014</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Equipment acquisition	<u>(10,004)</u>
Net cash provided (used) by capital & related financing activities	<u>(10,004)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>210,849</u>
Net increase in cash	435,859
Cash, July 1, 2015	<u>49,495,996</u>
Cash, June 30, 2016	<u><u>\$ 49,931,855</u></u>

**ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ 549,437
(Increase) Decrease in operating assets	
Due from other funds	528,490
Accounts receivable	(123,235)
Increase (Decrease) in operating liabilities	
Accounts payable	(317,200)
Claims liabilities	(1,537,326)
Due to other funds	1,133,998
Prepaid expenses	<u>850</u>
Net cash provided (used) by operating activities	<u><u>\$ 235,014</u></u>

RIVERSIDE UNIFIED SCHOOL DISTRICT*Statement of Fiduciary Net Position**June 30, 2016*

	Agency Funds		Trust Fund	Total
	Student Body Funds	Debt Service Fund for Special Tax Bonds	Scholarship Fund	
ASSETS				
Cash	\$ 1,179,142	\$ -	\$ 274,988	\$ 1,454,130
Investments	-	12,625,515	-	12,625,515
Accounts receivable	6,641	-	475	7,116
Inventories	148,894	-	-	148,894
Prepaid expenses	1,173	-	-	1,173
Total Assets	<u>\$ 1,335,850</u>	<u>\$ 12,625,515</u>	<u>275,463</u>	<u>14,236,828</u>
LIABILITIES				
Accounts payable	\$ 7,052	\$ -	3,892	10,944
Due to bondholders	-	12,625,515	-	12,625,515
Due to student groups	1,328,798	-	-	1,328,798
Total Liabilities	<u>\$ 1,335,850</u>	<u>\$ 12,625,515</u>	<u>3,892</u>	<u>13,965,257</u>
NET POSITION				
Restricted for student scholarships			<u>\$ 271,571</u>	<u>\$ 271,571</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2016

	Trust Fund Scholarship Fund
ADDITIONS	
Interest	\$ 1,419
Other local sources	41,243
Total Additions	42,662
DEDUCTIONS	
Books and supplies	4,331
Other services & operating expenses	38,988
Total Deductions	43,319
Net increase (decrease) in net position	(657)
Net Position - July 1, 2015	272,228
Net Position - June 30, 2016	<u><u>\$ 271,571</u></u>

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Riverside 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 Riverside 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. 14, *The Financial Reporting Entity*, 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 governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Riverside USD Financing Authority (the Authority) financial activity are 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 Authority are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Authority.

The Riverside 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.

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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

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*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds

The District reports the following major governmental funds:

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

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

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds:

Adult Education Fund: This fund is used to account for resources committed to adult education programs maintained by the District.

Child Development Fund: This fund is used to account for resources committed to child development programs maintained by the District.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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)

Capital Projects Funds:

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

Capital Projects Fund for Blended Component Units: This fund is used to account for the activity of the certificates of participation and of the Community Facilities Districts.

Debt Service Funds:

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

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the repayment, of certificates of participation, interest and related costs.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Self-Insurance Fund, which is used to account for resources committed to the District's self-insured property and liability, workers compensation, and health benefits insurance programs.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fiduciary Funds (continued)

The District maintains the following fiduciary funds:

Agency 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. The District also maintains a Debt Service Fund for Special Tax Bonds to account for debt service activity of the CFDs.

Scholarship Funds: These funds are used to report formal arrangements under which principal and interest benefit other individuals, private organizations, or other governments. This fund was established to account for funds received and held with the purpose of providing scholarships for eligible students.

2. Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Revenues - Exchange and Non-Exchange Transactions (continued)

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.

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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. 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	20-50 years
Furniture and Equipment	2-15 years

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. The District has items that qualify for reporting in this category. The first item is to recognize the District's proportionate share of the deferred outflows related to its pension plans as more fully described in the footnote entitled "Pension Plans". The second is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. The District has items that are reported as deferred inflows of resources. These items are related to the District's pension plans as more fully described in the footnote entitled "Pension Plans".

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated 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. 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.

8. 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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. 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 two percent of total General Fund expenditures and other financing uses.

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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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 2015-16 fiscal year, the following GASB Pronouncements became effective:

1. Statement No. 72, *Fair Value Measurement and Application (Issued 02/15)*

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

2. Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (Issued 06/15)*

The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

3. Statement No. 79, *Certain External Investment Pools and Pool Participants (Issued 12/15)*

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2016, are reported at fair value and consisted of the following:

	Rating	Governmental Activities		Total	Fiduciary Funds
		Governmental Funds	Proprietary Fund		
Pooled Funds:					
Cash in county treasury		\$ 174,738,121	\$ 48,865,231	\$ 223,603,352	\$ 274,988
Deposits:					
Cash on hand and in banks		82,027	-	82,027	1,179,142
Cash in revolving fund		164,891	-	164,891	-
Cash collections awaiting deposit		205,318	1,624	206,942	-
Cash with fiscal agent		-	1,065,000	1,065,000	-
Total Deposits		452,236	1,066,624	1,518,860	1,179,142
Total Cash		<u>\$ 175,190,357</u>	<u>\$ 49,931,855</u>	<u>\$ 225,122,212</u>	<u>\$ 1,454,130</u>
Investments:					
US Bank - Money Market	N/A	\$ 3,936,049	\$ -	\$ 3,936,049	\$ 10,139,884
US Bank - US Government Bonds	AA+	716,559	-	716,559	1,466,980
Corporate Issue - Private Export Funding	AA+	-	-	-	1,018,651
Total Investments		<u>\$ 4,652,608</u>	<u>\$ -</u>	<u>\$ 4,652,608</u>	<u>\$ 12,625,515</u>

Investment security ratings reported as of June 30, 2016, are defined by Standard and Poors.

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, 2016, 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. 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).

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)

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, 2016, \$2,042,966 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, 2016 consist of the following:

	Fair Value	Maturity	
		Less Than One Year	One Year Through Five Years
Investment maturities:			
US Bank - Money Market	\$ 14,075,933	14,075,933	\$ -
US Bank - US Government Bonds	2,183,539	1,356,990	826,549
Corporate Issue - Private Export Funding	1,018,651	1,018,651	-
Totals	<u>\$ 17,278,123</u>	<u>\$ 16,451,574</u>	<u>\$ 826,549</u>

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, 2016, all investments represented governmental securities 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, 2016, the District had the following investments that represent more than five percent of the District's net investments.

US Bank - Money Market	81.5%
US Bank - US Government Bonds	12.6%
Corporate Issue - Private Export Funding	5.9%

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016, consisted of the following:

	Governmental Funds					Proprietary Fund	Fiduciary Funds	
	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total	Self-Insurance Fund	Associated Student Body Funds	Scholarship Fund
Federal Government:								
Categorical aid programs	\$ 9,723,155	\$ 2,865,348	\$ -	\$ 215,830	\$ 12,804,333	\$ -	\$ -	\$ -
State Government:								
Lottery	4,600,540	-	-	-	4,600,540	-	-	-
Special education	163,599	-	-	-	163,599	-	-	-
Categorical aid programs	1,238,840	205,147	-	415,376	1,859,363	-	-	-
Local:								
Interest	192,712	8,272	14,962	66,968	282,914	80,411	-	475
Food service sales	-	139	-	-	139	-	-	-
Other local	2,050,232	129,055	272,370	334,520	2,786,177	134,290	6,641	-
Total	<u>\$ 17,969,078</u>	<u>\$ 3,207,961</u>	<u>\$ 287,332</u>	<u>\$ 1,032,694</u>	<u>\$ 22,497,065</u>	<u>\$ 214,701</u>	<u>\$ 6,641</u>	<u>\$ 475</u>

NOTE 4 - INTERFUND ACTIVITIES

A. Balances Due To/From Other Funds

Balances due/to other funds at June 30, 2016, consisted of the following:

	Due from other funds					
	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund
General Fund	\$ -	\$ 1,228	\$ -	\$ 172,562	\$ 173,790	\$ 10,647
Cafeteria Fund	917,590	-	-	2,256	919,846	390
Capital Facilities Fund	80,051	-	-	-	80,051	-
Non-Major Governmental Funds	1,074,463	-	1,120	33,251	1,108,834	1,592
Self-Insurance Fund	1,200,274	-	-	-	1,200,274	-
Total	<u>\$ 3,272,378</u>	<u>\$ 1,228</u>	<u>\$ 1,120</u>	<u>\$ 208,069</u>	<u>\$ 3,482,795</u>	<u>\$ 12,629</u>

The most significant interfund payables are as follows: \$1,200,274 due to the General Fund from the Self-Insurance Fund for benefits costs. \$750,000 due to the General Fund from the Child Development Fund for a temporary loan. A balance of \$917,590 is due to the General Fund from the Cafeteria Fund for indirect costs and other operating expenditures and \$408,879 is due to the General Fund from the Special Reserve Fund for Capital Outlay Projects for invoices.

RIVERSIDE UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016***NOTE 4 - INTERFUND ACTIVITIES (continued)****B. Transfers To/From Other Funds**

Transfers to/from other funds for the fiscal year ended at June 30, 2016, consisted of the following:

General Fund transfer to Adult Education for categorical funds	\$ 1,928,490
General Fund transfer to Debt Service Fund for long-term debt payments	1,918,000
Building Fund transfer to County School Facilities Fund for project expenses	30,994
Building Fund transfer to Special Reserve Fund for Capital Outlay Projects for capital outlay	1,142,861
Capital Projects Fund for Blended Component Units transfer to Building Fund for projects costs	378,845
Debt Service Fund transfer to Special Reserve Fund for Capital Outlay Projects for capital outlay	<u>4,769,040</u>
	<u><u>\$ 10,168,230</u></u>

NOTE 5 - FUND BALANCES

At June 30, 2016, fund balances of the District's governmental funds are classified as follows:

	General Fund	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 150,000	\$ 14,891	\$ -	\$ -	\$ 164,891
Stores inventories	68,743	296,449	-	-	365,192
Prepaid expenditures	65,258	-	-	-	65,258
Total Nonspendable	<u>284,001</u>	<u>311,340</u>	<u>-</u>	<u>-</u>	<u>595,341</u>
Restricted:					
Categorical programs	31,291,563	-	-	2,754,414	34,045,977
Food service program	-	6,184,727	-	-	6,184,727
Capital projects	-	-	6,955,008	26,859,418	33,814,426
Debt service	-	-	-	11,620,694	11,620,694
Total Restricted	<u>31,291,563</u>	<u>6,184,727</u>	<u>6,955,008</u>	<u>41,234,526</u>	<u>85,665,824</u>
Committed:					
Other commitments	59,738,542	-	-	8,029,832	67,768,374
Total Committed	<u>59,738,542</u>	<u>-</u>	<u>-</u>	<u>8,029,832</u>	<u>67,768,374</u>
Assigned:					
Other assignments	16,546,212	-	-	1,019,404	17,565,616
Total Assigned	<u>16,546,212</u>	<u>-</u>	<u>-</u>	<u>1,019,404</u>	<u>17,565,616</u>
Unassigned:					
Reserve for economic uncertainties	8,564,354	-	-	-	8,564,354
Total Unassigned	<u>8,564,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,564,354</u>
Total	<u><u>\$ 116,424,672</u></u>	<u><u>\$ 6,496,067</u></u>	<u><u>\$ 6,955,008</u></u>	<u><u>\$ 50,283,762</u></u>	<u><u>\$ 180,159,509</u></u>

RIVERSIDE UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016***NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance, July 1, 2015	Additions	Retirements	Balance, June 30, 2016
Capital assets not being depreciated:				
Land	\$ 41,127,014	\$ 4,914,895	\$ -	\$ 46,041,909
Construction in progress	4,262,969	9,955,629	3,912,545	10,306,053
Total capital assets not being depreciated	45,389,983	14,870,524	3,912,545	56,347,962
Capital assets being depreciated:				
Buildings and improvements	668,741,248	11,252,337	-	679,993,585
Furniture and equipment	16,192,515	200,016	-	16,392,531
Total capital assets being depreciated	684,933,763	11,452,353	-	696,386,116
Accumulated depreciation for:				
Buildings and improvements	(188,344,058)	(16,132,277)	-	(204,476,335)
Furniture and equipment	(13,831,795)	(712,586)	-	(14,544,381)
Total accumulated depreciation	(202,175,853)	(16,844,863)	-	(219,020,716)
Total capital assets being depreciated, net	482,757,910	(5,392,510)	-	477,365,400
Governmental activity capital assets, net	\$ 528,147,893	\$ 9,478,014	\$ 3,912,545	\$ 533,713,362

Depreciation expense is allocated to the following functions in the statement of activities:

Governmental Activities:

Instruction	\$ 11,450,890
Supervision of instruction	528,888
Instructional library, media and technology	188,494
School site administration	1,331,909
Home-to-school transportation	391,935
Food services	2,287
All other pupil services	622,882
Data processing services	187,428
All other general administration	526,940
Plant services	1,613,210
Total depreciation expense	\$ 16,844,863

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2016, were as follows:

	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 133,140,000	\$ 53,365,000	\$ 52,355,000	\$ 134,150,000	\$ 4,930,000
Unamortized Issuance Premium	7,806,506	-	572,950	7,233,556	572,950
Total G.O. Bonds	140,946,506	53,365,000	52,927,950	141,383,556	5,502,950
Certificates of Participation	21,145,000	3,673,026	4,880,000	19,938,026	1,342,644
Compensated Absences	4,822,461	420,415	-	5,242,876	-
Claims Liabilities	7,285,363	-	1,152,995	6,132,368	-
Other Postemployment Benefits	17,038,900	602,589	-	17,641,489	-
Net Pension Liability	268,921,420	71,269,324	-	340,190,744	-
Total	\$ 460,159,650	\$ 129,330,354	\$ 58,960,945	\$ 530,529,059	\$ 6,845,594

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the Debt Service Fund. The claims liabilities will be paid from the Self-Insurance Fund. Accumulated vacation and other postemployment benefits will be paid for by the fund for which the employee worked.

A. General Obligation Bonds

Series C

The General Obligation Bonds (Series C) were issued for \$50,000,000 under Measure "B" which was approved by the voters of the District at an election held on November 6, 2001. The bonds were issued to perform construction, reconstruction, remodeling, rehabilitation and renovation projects. The specific projects include (1) restroom renovations, including ADA accommodations, (2) athletic field renovation, (3) elementary school #34 (land cost), (4) Frank Augustus Miller middle school, (5) new library, (6) new multipurpose room and cafeteria, (7) parking lot expansion, (8) permanent wing additions replacing portable classrooms and (9) stadium ADA renovation.

2011 Refunding General Obligation Bonds

On October 5, 2011, the District issued \$46,125,000 of Refunding General Obligation Bonds. The bonds bear fixed interest rates averaging 3.1 percent with annual maturities from February 1, 2012 through February 1, 2027. The net proceeds of \$50,087,691 (after premiums of \$4,462,725 and issuance costs of \$500,034) were used to prepay the District's outstanding Election of 2001, Series A General Obligation Bonds.

2015 General Obligation Refunding Bonds

On June 17, 2015, the District issued \$48,810,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from August 1, 2015 through August 1, 2030. The net proceeds of \$52,498,253 (after premiums of \$4,459,461 and issuance costs and underwriter's discount of \$771,208) were used to prepay the District's outstanding Election of 2001, Series B General Obligation Bonds.

The refunding decreased the District's total debt service payments by \$6,206,266. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$4,813,030.

RIVERSIDE UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016***NOTE 7 – GENERAL LONG-TERM DEBT (continued)****A. General Obligation Bonds (continued)****2016 General Obligation Refunding Bonds**

On May 25, 2016, the District issued \$53,365,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 0.7% and 4.32% with annual maturities from August 1, 2016, through August 1, 2038. The net proceeds of \$52,814,498 (after issuance costs of \$550,502) were used to advance refund a portion of the District's outstanding Election of 2001, Series C General Obligation Bonds.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. 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 liability. Deferred amounts on refunding as of June 30, 2016, of \$3,468,253 remain to be amortized. As of June 30, 2016, the principal balance outstanding on the defeased debt amounted to \$49,030,000.

The refunding decreased the District's total debt service payments by \$3,314,458. The transaction resulted in an economic loss (difference between the present value of the debt service on the old and the new bonds) of \$2,168,422.

A summary of general obligation bonds issued by the District is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016
2001(C)	5/6/2008	8/1/2038	4.75%-5.25%	\$ 50,000,000	49,190,000	-	49,190,000	-
2011 Refunding	10/5/2011	2/1/2027	2.0%-5.0%	46,125,000	35,140,000	-	1,285,000	33,855,000
2015 Refunding	6/17/2015	8/1/2030	2.0%-5.0%	48,810,000	48,810,000	-	1,880,000	46,930,000
2016 Refunding	5/25/2016	8/1/2038	0.7%-4.32%	53,365,000	-	53,365,000	-	53,365,000
				<u>\$ 198,300,000</u>	<u>\$ 133,140,000</u>	<u>\$ 53,365,000</u>	<u>\$ 52,355,000</u>	<u>\$ 134,150,000</u>

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Total
2016-17	\$ 4,930,000	\$ 5,075,796	\$ 10,005,796
2017-18	4,490,000	5,560,095	10,050,095
2018-19	4,705,000	5,365,006	10,070,006
2019-20	4,930,000	5,159,981	10,089,981
2020-21	5,160,000	4,944,543	10,104,543
2021-26	31,570,000	20,650,858	52,220,858
2026-31	32,195,000	13,228,159	45,423,159
2031-36	27,045,000	7,063,836	34,108,836
2036-39	19,125,000	1,260,274	20,385,274
Total	<u>\$ 134,150,000</u>	<u>\$ 68,308,548</u>	<u>\$ 202,458,548</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Certificates of Participation

On December 21, 2001, the Riverside Unified School District School Facilities Corporation issued certificates of participation in the amount of \$15,735,000. The certificates were issued to provide funds to prepay and defease the District's COP 1992, Series A, prepay certain outstanding lease-purchase obligations, fund a reserve account and pay the costs of issuing the certificates. The interest rate of the certificates ranges from 3.0% and 5.0% and mature on December 21, 2026. At June 30, 2016, there was no principal balance outstanding.

On May 1, 2009, the Riverside Unified School District School Facilities Corporation issued certificates of participation in the amount of \$8,605,000. The certificates were issued to prepay the District's COP for the 1998 School Facility Bridge Refunding Program, provide a reserve account and pay issuance costs. The interest rate of the certificates ranges from 3.0% to 5.0% and mature on September 1, 2027. At June 30, 2016, the principal balance outstanding was \$6,335,000.

On June 1, 2015, the Riverside Unified School District Facilities Corporation issued certificates of participation in the amount of \$10,000,000. The funds will be used by the District to acquire certain school facilities and pay the issuance costs. The interest rate for the certificates is 3.69%, and the certificates fully mature on June 1, 2035. At June 30, 2016, the principal outstanding balance was \$9,930,000.

2016 COP Refunding

On March 4, 2016, the Riverside Unified School District Facilities Corporation issued certificates of participation in the amount of \$3,673,026. The bonds bear fixed interest rates ranging between 4.75% and 5.0% with annual maturities from December 1, 2016, through December 1, 2026. The net proceeds of \$3,548,024 (after issuance costs of \$125,002) along with other funds were used to advance refund a portion of the outstanding 2001 certificates of participation.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. As a result, the refunded certificates are considered to be defeased, and the related liability for them has been removed from the District's liabilities. 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 liability.

Deferred amounts on refunding as of June 30, 2016, of \$100,644 remain to be amortized. As of June 30, 2016, the outstanding certificates had been fully repaid.

The refunding decreased the District's total debt service payments by \$1,039,354. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new debt) of \$285,329.

RIVERSIDE UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016*

NOTE 7 – GENERAL LONG-TERM DEBT (continued)**B. Certificates of Participation (continued)**

Annual interest and redemption requirements for the Certificates of Participation outstanding at June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Total
2016-17	\$ 1,342,644	\$ 753,915	\$ 2,096,559
2017-18	1,170,036	710,659	1,880,695
2018-19	1,152,694	668,637	1,821,331
2019-20	1,136,197	626,971	1,763,168
2020-21	1,179,164	583,622	1,762,786
2021-26	6,606,035	2,169,738	8,775,773
2026-31	4,156,256	917,521	5,073,777
2031-35	3,195,000	297,043	3,492,043
Total	<u>\$ 19,938,026</u>	<u>\$ 6,728,106</u>	<u>\$ 26,666,132</u>

C. Claims Liability

The District has an outstanding long-term liability for incurred, but not reported, claims for the District's self-insured programs in the amount of \$6,132,368. The total claims liability is reported in Note 9, but only the long-term portion is reported here.

D. 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 \$137,900,000 as of June 30, 2016, does not represent debt of the District and, as such, does not appear in the financial statements.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 8 – JOINT VENTURES

The Riverside Unified School District participates in joint ventures under joint powers agreements with the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District pays an annual premium to the entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The ASCIP JPA provides workers compensation as well as property and liability insurance coverage for its member districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Condensed unaudited financial information for the year ended June 30, 2016, is as follows:

	ASCIP
Assets	\$ 369,904,431
Deferred Outflows	354,308
Liabilities	212,247,664
Deferred Inflows	443,374
Net Position	<u>\$ 157,567,701</u>
Revenues	\$ 228,708,274
Expenses	216,205,772
Change in Net Position	<u>\$ 12,502,502</u>

NOTE 9 – RISK MANAGEMENT

Property and Liability

The Property and Liability Program, for which the District retains risk of loss, is administered by the Self-Insurance Fund. Excess property and liability coverage is obtained through Alliance of Schools for Cooperative Insurance Programs (ASCIP). General liability claims in excess of a \$100,000 self-insured retention are covered up to \$5,000,000 per occurrence. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation

Workers' compensation claims in excess of a \$500,000 self-insured retention are covered up to \$10,000,000 per occurrence through ASCIP.

Employee Medical Benefits

Employee life, health, and disability programs are administered through the purchase of commercial insurance and self-insurance.

Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

RIVERSIDE UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016***NOTE 9 – RISK MANAGEMENT (continued)****Unpaid Claims Liabilities (continued)**

The following represent the changes in approximate aggregate liabilities for the District's workers' compensation and health insurance program from July 1, 2014 to June 30, 2016:

	Health Insurance	Workers' Compensation
Liability Balance, July 1, 2014	\$ 2,147,156	\$ 7,681,343
Claims and changes in estimates	9,644,876	521,229
Claims payments	(9,479,924)	(917,209)
Liability Balance, June 30, 2015	2,312,108	7,285,363
Claims and changes in estimates	13,212,434	448,092
Claims payments	(13,857,542)	(1,223,962)
Liability Balance, June 30, 2016	<u>\$ 1,667,000</u>	<u>\$ 6,509,493</u>
Assets available to pay claims at June 30, 2016	<u>\$ 4,640,502</u>	<u>\$ 15,849,943</u>

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 various litigation. In the opinion of legal counsel, the District does not anticipate that the outcome of any of the litigation will have a material impact on the financial statements.

C. Construction Commitments

As of June 30, 2016, the District had commitments with respect to unfinished capital projects of \$31.5 million. A detailed listing of outstanding construction commitments at June 30, 2016, is as follows:

Project Description	Remaining Construction Commitments	Expected Date of Completion
Maxine Frost Elementary School*	\$ -	TBD
Ramona High School Career Technology Education	15,961,958	11/1/2017
Central Kitchen Modernization	5,346,332	11/1/2016
Energy Efficiency Projects	1,114,364	10/1/2016
William Howard Taft Elementary School Fire Alarm	70,279	11/1/2016
Family Resource Center Restroom	7,769	8/1/2016
Highland Elementary School - Portable Replacement	26,253	10/1/2016
Riverside Polytechnic High School Chillers	7,649,052	11/1/2017
Riverside STEM Academy - Portables	83,212	11/1/2016
Fremont Elementary School - Lighting & HVAC	464,755	TBD
Henry W. Longfellow Elementary School - Lighting & HVAC	24,538	TBD
Chemawa Middle School - Lighting & HVAC	103,492	8/1/2016
Arlington High School - Lighting & HVAC	257,229	8/1/2016
Riverside Polytechnic High School - Lighting & HVAC	196,764	8/1/2016
Ramona High School - Lighting & HVAC	151,043	8/1/2016
Central Registration Center - Energy Management System	6,500	9/1/2016
	<u>\$ 31,463,540</u>	

*Project has been placed on hold indefinitely.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 – 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 California Public Employees' Retirement System (CalPERS).

A. General Information about the Pension Plans

Plan Descriptions

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4 percent at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a \$6,163 lump-sum death payment. There is a 2 percent simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2 percent increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1 percent of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0 percent at age 52 for members under *2% at 62*, increasing to a maximum of 2.5 percent at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 – PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided (continued)

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2 percent per year.

Contributions

Active CalSTRS plan members under 2% at 60 were required to contribute 9.2% and plan members under 2% at 62 were required to contribute 8.56% of their salary in 2015-16. The required employer contribution rate for fiscal year 2015-16 was 10.73% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. 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 required employer contribution for fiscal year 2015-16 was 11.847%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Employer contributions	\$ 21,870,566	\$ 7,241,357
Employee contributions paid by employer	\$ -	\$ -
Employer contributions paid by State	\$ 11,826,078	\$ -

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 267,949,520
CalPERS	72,241,224
Total Net Pension Liability	<u>\$ 340,190,744</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2016***NOTE 11 – PENSION PLANS (continued)****B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015, was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2014	0.3670%	0.4797%
Proportion - June 30, 2015	0.3980%	0.4901%
Change - Increase (Decrease)	0.0310%	0.0104%

For the year ended June 30, 2016, the District recognized pension expense of \$27,439,783. At June 30, 2016, 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	\$ 29,111,923	\$ -
Differences between actual and expected experience	4,128,692	(4,477,500)
Changes in assumptions	-	(4,438,702)
Adjustment due to differences in proportions	24,420,600	-
Net differences between projected and actual earnings on plan investments	11,864,852	(36,180,692)
	<u>\$ 69,526,067</u>	<u>\$ (45,096,894)</u>

The total amount of \$29,111,923 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Amount
2017	\$ (3,216,277)
2018	(3,692,376)
2019	1,549,396
2020	(639,643)
2021	(639,643)
Thereafter	-

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2014, actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Wage Growth	3.75%	Varies
Post-retirement Benefit Increase	2.00%	2.00%
Investment Rate of Return	7.60%	7.65%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2014 valuation were based on the results of an April 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – for CalSTRS

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate – for CalPERS

The discount rate used to measure the total pension liability for PERF B was 7.65 percent. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – for CalPERS (continued)

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

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

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

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	51%	4.50%	5.71%
Global Debt Securities	N/A	19%	N/A	2.43%
Inflation Sensitive	5%	6%	3.20%	3.36%
Private Equity	12%	10%	6.20%	6.95%
Real Estate	15%	10%	4.35%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	20%	N/A	0.20%	N/A
Liquidity	1%	2%	0.00%	-1.05%
	100%	100%		

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 11 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 404,582,920	\$ 117,578,607
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 267,949,520	\$ 72,241,224
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 154,396,140	\$ 34,540,155

Pension Plan Fiduciary Net Position

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

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

Riverside Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2007-08.

Plan Descriptions and Contribution Information

Membership in the plan, as of July 1, 2014, consisted of the following:

Retirees and beneficiaries receiving benefits	256
Active plan members	3,212
Total	<u>3,468</u>

The District provides postemployment health care benefits, in accordance with District employment contracts.

Certificated Retirees: Upon attainment of age 55 and completion of at least 10 years of full-time District service and employment as a bargaining unit member for 10 of the last 14 years prior to retirement, an employee may retire and remain covered under one of the medical plan options for retiree-only coverage at the District's expense until age 65. For retirements on or after July 1, 2010, the service requirement is 15 years of full-time service out of the last 19 years prior to retirement, and District-paid benefits will continue for the lesser of 8 years or until age 65.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Descriptions and Contribution Information (continued)

Management, Confidential and Cabinet Retirees: Upon attainment of age 50 (if covered under PERS) or age 55 (if covered under STRS) and completion of at least 10 years of District service prior to retirement, an employee may retire and remain covered under one of the medical plan options for retiree-only coverage at the District's expense for the lesser of 10 years or until age 65. For retirements on or after July 1, 2010, benefits continue for the lesser of 8 years or until age 65, and the eligibility requirements are (1) Retirement under PERS or STRS, (2) either (a) 15 years of service as a management or confidential employee in a California public agency, or (b) 15 years of service in the District in any combination of bargaining unit or management positions, and (3) 5 years of District service immediately prior to retirement.

Classified and Classified Supervisory Retirees: Upon attainment of age 50 and completion of at least 10 years of District service, an employee may retire and receive a District-paid contribution of \$2,774 per year towards retiree-only medical coverage, reduced by 1/15th for each year of service less than 20, to a minimum of \$1,849 per year for 15 or fewer years of service. District-paid benefits continue for the lesser of 10 years or until age 65. For retirements on or after July 1, 2010, District-paid benefits continue for the lesser of 8 years or until age 65. Unit members working less than full-time, but at least 20 hours per week, receive a pro-rated entitlement in proportion to the average daily hours worked during the member's final 3 years of service with the District.

Classified and Classified Supervisory: Unit members who retire with 25 or more years of District service receive a monthly amount equal to the single party premium of the least costly health plan available through the District. To be eligible for this benefit the retiree must have been employed by the District as a full-time bargaining unit member for 10 of the last 14 years at the time of retirement. This benefit is discontinued for retirements on or after July 1, 2010.

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2015-16, the District contributed \$4,400,810, which included an implicit rate subsidy.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 5,307,320
Interest on net OPEB obligation	681,556
Adjustment to ARC	(985,477)
Annual OPEB cost	5,003,399
Contributions made	(4,400,810)
Increase in net OPEB obligation	602,589
Net OPEB obligation - July 1, 2015	17,038,900
Net OPEB obligation - June 30, 2016	\$ 17,641,489

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015-16 and the preceding two years as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 5,239,240	52.0%	\$ 15,646,137
2015	\$ 5,028,347	72.3%	\$ 17,038,900
2016	\$ 5,003,399	88.0%	\$ 17,641,489

Funded Status and Funding Progress – OPEB Plans

As of July 1, 2014, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$45.0 million and the unfunded actuarial accrued liability (UAAL) was \$45.0 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30-year level dollar, open
Remaining Amortization Period	22 years
Asset Valuation	N/A
Actuarial Assumptions:	
Investment rate of return	4.0%
Long-term healthcare cost trend rates:	
Medical/Rx	5.0-8.0%

(This page intentionally left blank)

Required Supplementary Information

(This page intentionally left blank)

RIVERSIDE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual*	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF Sources	\$ 342,084,556	\$ 341,417,661	\$ 341,417,660	\$ (1)
Federal Sources	23,259,128	34,902,112	28,880,295	(6,021,817)
Other State Sources	61,712,846	77,090,813	74,070,561	(3,020,252)
Other Local Sources	5,273,873	10,872,749	10,274,902	(597,847)
Total Revenues	432,330,403	464,283,335	454,643,418	(9,639,917)
Expenditures				
Current:				
Certificated Salaries	203,809,741	208,276,353	204,223,715	4,052,638
Classified Salaries	59,353,040	59,513,943	58,754,990	758,953
Employee Benefits	76,213,939	88,620,272	86,998,216	1,622,056
Books and Supplies	24,733,683	53,387,706	24,134,324	29,253,382
Services and Other Operating Expenditures	45,413,759	52,344,528	43,639,115	8,705,413
Capital Outlay	17,917,540	11,606,308	6,557,614	5,048,694
Intergovernmental	141,300	141,300	63,218	78,082
Total Expenditures	427,583,002	473,890,410	424,371,192	49,519,218
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,747,401	(9,607,075)	30,272,226	39,879,301
Other Financing Sources and Uses				
Interfund Transfers Out	(3,697,200)	(3,846,490)	(3,846,490)	-
Total Other Financing Sources and Uses	(3,697,200)	(3,846,490)	(3,846,490)	-
Net Change in Fund Balance	1,050,201	(13,453,565)	26,425,736	39,879,301
Fund Balances, July 1, 2015	89,998,936	89,998,936	89,998,936	-
Fund Balances, June 30, 2016	\$ 91,049,137	\$ 76,545,371	\$ 116,424,672	\$ 39,879,301

RIVERSIDE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – Cafeteria Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual*	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Federal Sources	\$ 18,699,040	\$ 17,901,537	\$ 19,423,889	\$ 1,522,352
Other State Sources	1,372,479	1,275,702	1,275,702	-
Other Local Sources	3,180,348	2,950,253	2,896,692	(53,561)
Total Revenues	23,251,867	22,127,492	23,596,283	1,468,791
Expenditures				
Current:				
Classified Salaries	8,287,822	8,760,964	8,308,954	452,010
Employee Benefits	2,898,676	2,960,867	2,839,334	121,533
Books and Supplies	10,427,250	10,045,194	10,658,854	(613,660)
Services and Other Operating Expenditures	530,164	474,565	233,571	240,994
Capital Outlay	710,014	1,836,466	1,825,009	11,457
Transfers of indirect costs	985,404	985,404	911,965	73,439
Total Expenditures	23,839,330	25,063,460	24,777,687	285,773
Net Change in Fund Balance	(587,463)	(2,935,968)	(1,181,404)	1,754,564
Fund Balances, July 1, 2015	6,734,838	7,677,471	7,677,471	-
Fund Balances, June 30, 2016	<u>\$ 6,147,375</u>	<u>\$ 4,741,503</u>	<u>\$ 6,496,067</u>	<u>\$ 1,754,564</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT*Schedule of Funding Progress**For the Fiscal Year Ended June 30, 2016*

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	N/A	\$ 34,387,722	\$ 34,387,722	0%	\$ 207,415,913	16.6%
July 1, 2012	N/A	43,617,286	43,617,286	0%	220,530,506	19.8%
July 1, 2014	N/A	45,032,751	45,032,751	0%	228,321,880	19.7%

RIVERSIDE UNIFIED SCHOOL DISTRICT*Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2016*

Last Ten Fiscal Years*		
	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset):		
CalSTRS	0.3980%	0.3670%
CalPERS	0.4901%	0.4797%
District's proportionate share of the net pension liability (asset):		
CalSTRS	\$ 267,949,520	\$ 214,463,790
CalPERS	\$ 72,241,224	\$ 54,457,630
District's covered-employee payroll:		
CalSTRS	\$ 184,818,401	\$ 166,812,727
CalPERS	\$ 54,339,648	\$ 61,956,188
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:		
CalSTRS	145.0%	128.6%
CalPERS	132.9%	87.9%
Plan fiduciary net position as a percentage of the total pension liability:		
CalSTRS	74.0%	76.5%
CalPERS	79.4%	83.4%

* 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.

RIVERSIDE UNIFIED SCHOOL DISTRICT*Schedule of Contributions**For the Fiscal Year Ended June 30, 2016*

Last Ten Fiscal Years*		
	<u>2015</u>	<u>2014</u>
Actuarially determined contribution:		
CalSTRS	\$ 16,411,874	\$ 13,762,050
CalPERS	\$ 6,396,320	\$ 7,089,027
Contributions in relation to the actuarially determined contribution:		
CalSTRS	\$ 16,411,874	\$ 13,762,050
CalPERS	\$ 6,396,320	\$ 7,089,027
Contribution deficiency (excess):		
CalSTRS	<u>\$ -</u>	<u>\$ -</u>
CalPERS	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll:		
CalSTRS	\$ 184,818,401	\$ 166,812,727
CalPERS	\$ 54,339,648	\$ 61,956,188
Contributions as a percentage of covered-employee payroll:		
CalSTRS	8.88%	8.25%
CalPERS	11.771%	11.442%

* 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.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

Schedule of Proportionate Share of the Net Pension Liability

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

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

Schedule of Contributions

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

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

NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes

There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

RIVERSIDE UNIFIED SCHOOL DISTRICT*Notes to the Required Supplementary Information**For the Fiscal Year Ended June 30, 2016*

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2016, the District incurred the following excess of expenditures over appropriations in the individual major fund presented in the Budgetary Comparison Schedules. In the Cafeteria Fund, expenditures exceed appropriations by \$613,660 due to recognizing USDA donated foods.

(This page intentionally left blank)

Supplementary Information

(This page intentionally left blank)

RIVERSIDE UNIFIED SCHOOL DISTRICT

Local Educational Agency Organization Structure

June 30, 2016

The Riverside Unified School District was established on July 1, 1963, and consists of an area comprising approximately 94 square miles. The District operates 30 elementary schools, seven middle schools, five high schools, two continuation high schools, one STEM school, one virtual school, one independent study school, and one adult education school. There were no boundary changes during the year.

Governing Board		
Member	Office	Term Expires
Tom Hunt	President	December 2019
Brent Lee	Vice President	December 2017
Patricia Lock-Dawson	Clerk	December 2019
Kathy Y. Allavie	Member	December 2017
Dr. Angelor Farooq	Member	December 2019

DISTRICT ADMINISTRATORS

David Hansen, Ed.D.,
Superintendent

Lynn Carmen Day,
Chief Academic Officer

Mays Kakish,
Chief Business Officer and Governmental Relations

Susan Mills,
Assistant Superintendent, Department of Personnel Leadership and Development

Antonio Garcia,
Assistant Superintendent, Curriculum and Instruction, K-12

Kirk Lewis, Ed.D.,
Assistant Superintendent, Operations

Timothy Walker,
Executive Director, Pupil Services, SELPA

Renee Hill,
Assistant Superintendent, Instructional Support

RIVERSIDE UNIFIED SCHOOL DISTRICT*Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2016*

	Second Period Report	Annual Report
	Certificate No. (1CE65870)	Certificate No. (DE2E1320)
Regular ADA:		
Transitional Kindergarten through Third	11,708.23	11,718.81
Fourth through Sixth	9,196.11	9,192.38
Seventh through Eighth	6,148.78	6,145.17
Ninth through Twelfth	12,552.45	12,495.32
Total Regular ADA	39,605.57	39,551.68
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	2.69	2.96
Fourth through Sixth	21.52	19.82
Seventh through Eighth	12.61	11.47
Ninth through Twelfth	44.90	39.17
Total Special Education, Nonpublic, Nonsectarian Schools	81.72	73.42
Total ADA	39,687.29	39,625.10

RIVERSIDE UNIFIED SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2016*

Grade Level	Required Minutes	2015-16 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	57,280	181	Complied
Grade 1	50,400	51,600	181	Complied
Grade 2	50,400	51,600	181	Complied
Grade 3	50,400	51,600	181	Complied
Grade 4	54,000	54,062	181	Complied
Grade 5	54,000	54,062	181	Complied
Grade 6	54,000	54,062	181	Complied
Grade 7	54,000	57,900	180	Complied
Grade 8	54,000	57,940	180	Complied
Grade 9	64,800	64,815	180	Complied
Grade 10	64,800	64,815	180	Complied
Grade 11	64,800	64,815	180	Complied
Grade 12	64,800	64,815	180	Complied

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2016

General Fund	(Budget) 2017 ³	2016	2015	2014
Revenues and other financing sources	\$ 453,009,324	\$ 454,643,418	\$ 383,432,186	\$ 350,587,017
Expenditures	477,699,172	424,371,192	375,680,844	332,760,663
Other uses and transfers out	2,631,379	3,846,490	3,091,000	11,157,630
Total outgo	480,330,551	428,217,682	378,771,844	343,918,293
Change in fund balance (deficit)	(27,321,227)	26,425,736	4,660,342	6,668,724
Ending fund balance	\$ 89,103,445	\$ 116,424,672	\$ 89,998,936	\$ 85,338,594
Available reserves ¹	\$ 10,655,220	\$ 8,564,354	\$ 15,863,825	\$ 30,711,853
Available reserves as a percentage of total outgo	2.2%	2.0%	4.2%	8.9%
Total long-term debt	\$ 523,683,465	\$ 530,529,059	\$ 460,159,650	\$ 518,500,961
Average daily attendance at P-2 ²	39,689	39,687	39,975	40,344

The General Fund balance has increased by \$31,086,078 over the past two years. The fiscal year 2016-17 adopted budget projects a decrease of \$27,321,227. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in none of the past three years, but anticipates incurring an operating deficit during the 2016-17 fiscal year. Long-term debt has increased by \$12,028,098 over the past two years.

Average daily attendance has decreased by 657 over the past two years. An increase of 2 ADA is anticipated during the fiscal year 2016-17.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² Excludes Adult Education ADA.

³ Revised Final Budget September, 2016.

RIVERSIDE UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2016*

*There were no differences between the Annual Financial and Budget Report and the
Audited Financial Statements in any funds.*

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Department of Education (CDE):				
School Breakfast Program - Especially Needy	10.553	13526	\$ 3,471,472	
School Breakfast Program - Basic	10.553	13525	5,699	
National School Lunch Program	10.555	13523	11,788,701	
Summer Food Service Program	10.559	10044	398,897	
USDA Donated Foods	10.555	N/A	1,364,828	
Subtotal Child Nutrition Cluster				\$ 17,029,597
Centers and Family Day Care	10.558	13393	2,036,208	
Cash in Lieu of Commodities	10.558	13389	157,524	
Subtotal Child and Adult Care Food Program				2,193,732
Fresh Fruit and Vegetable Program	10.582	14968		43,035
Total U.S. Department of Agriculture				19,266,364
U.S. Department of Defense:				
Reserve Officer Training Corps (ROTC)	12.000	N/A		260,057
Total U.S. Department of Defense				260,057
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Basic Education & ESL	84.002A	14508	200,318	
Adult Secondary Education	84.002	13978	92,635	
English Literacy & Civics Education	84.002A	14109	26,331	
Subtotal Adult Basic Education Cluster				319,284
No Child Left Behind Act (NCLB):				
Title I, Part A, Basic Grants	84.010	14329		10,114,209
Title I, Part G, Advanced Placement Test Fee Reimbursement	84.330B	23900		97,256
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		2,055,202
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512		382,205
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084		603,660
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681		1,247,086
Title X McKinney-Vento Homeless Assistance Grants	84.196	14332		137,891
Carl D. Perkins Career and Technical Education: Secondary Sec 131	84.048	14894		317,339
Passed through Riverside County SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B	84.027	13379	6,843,983	
Local Assistance, Part B, Private School ISPs	84.027	10115	19,025	
Preschool Grants, Part B, Sec 619	84.173	13430	171,928	
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	319,735	
Mental Health Allocation Plan, Part B	84.027A	14468	919,763	
Subtotal Special Education Cluster (IDEA)				8,274,434
Early Intervention Grants	84.181	24314		127,299
Total U.S. Department of Education				23,675,865
U.S. Department of Health & Human Services:				
Passed through Riverside County Office of Education (RCOE):				
Head Start	93.600	10016		1,220,579
Passed through California Department of Health Services:				
Medi-Cal Administrative Activities	93.778	10060	328,705	
Medi-Cal Billing Option	93.778	10013	1,194,952	
Subtotal Medicaid Cluster				1,523,657
Total U.S. Department of Health & Human Services				2,744,236
Total Expenditures of Federal Awards				\$ 45,946,522

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

RIVERSIDE UNIFIED SCHOOL DISTRICT*Schedule of Charter Schools**For the Fiscal Year Ended June 30, 2016*

<u>Charter School</u>	<u>Included in Financial Statements</u>
REACH Leadership Academy	Not included
Encore High School for the Arts - Riverside	Not included

RIVERSIDE UNIFIED SCHOOL DISTRICT

Combining Balance Sheet - Non-Major Governmental Funds For the Fiscal Year Ended June 30, 2016

	Adult Education Fund	Child Development Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS									
Cash	\$ 2,570,433	\$ 183,385	\$ 16,920,372	\$ 4,280,171	\$ 12,356,293	\$ -	\$ 9,094,978	\$ 1,290,728	\$ 46,696,360
Investments	-	-	-	-	-	3,419,760	-	1,232,848	4,652,608
Accounts receivable	237,892	339,527	330,417	7,190	115,528	-	-	2,140	1,032,694
Due from other funds	118,228	52,874	4,513	30,994	1,460	-	-	-	208,069
Total Assets	<u>\$ 2,926,553</u>	<u>\$ 575,786</u>	<u>\$ 17,255,302</u>	<u>\$ 4,318,355</u>	<u>\$ 12,473,281</u>	<u>\$ 3,419,760</u>	<u>\$ 9,094,978</u>	<u>\$ 2,525,716</u>	<u>\$ 52,589,731</u>
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 75,502	\$ 28,419	\$ 46,197	\$ 492	\$ 1,044,933	\$ -	\$ -	\$ -	\$ 1,195,543
Due to other funds	96,637	547,367	51,606	3,681	411,135	-	-	-	1,110,426
Total Liabilities	<u>172,139</u>	<u>575,786</u>	<u>97,803</u>	<u>4,173</u>	<u>1,456,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,305,969</u>
Fund Balances									
Restricted	2,754,414	-	17,157,499	4,314,182	1,967,977	3,419,760	9,094,978	2,525,716	41,234,526
Committed	-	-	-	-	8,029,832	-	-	-	8,029,832
Assigned	-	-	-	-	1,019,404	-	-	-	1,019,404
Total Fund Balances	<u>2,754,414</u>	<u>-</u>	<u>17,157,499</u>	<u>4,314,182</u>	<u>11,017,213</u>	<u>3,419,760</u>	<u>9,094,978</u>	<u>2,525,716</u>	<u>50,283,762</u>
Total Liabilities and Fund Balances	<u>\$ 2,926,553</u>	<u>\$ 575,786</u>	<u>\$ 17,255,302</u>	<u>\$ 4,318,355</u>	<u>\$ 12,473,281</u>	<u>\$ 3,419,760</u>	<u>\$ 9,094,978</u>	<u>\$ 2,525,716</u>	<u>\$ 52,589,731</u>

RIVERSIDE UNIFIED SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds For the Fiscal Year Ended June 30, 2016

	Adult Education Fund	Child Development Fund	Building Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES									
Federal sources	\$ 319,284	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 319,284
Other state sources	3,037,001	2,556,164	-	-	1,728,519	-	93,146	-	7,414,830
Other local sources	112,576	82,545	90,765	34,927	125,960	218	9,916,381	8,268	10,371,640
Total Revenues	3,468,861	2,638,709	90,765	34,927	1,854,479	218	10,009,527	8,268	18,105,754
EXPENDITURES									
Current:									
Instruction:	1,690,854	1,987,225	-	-	-	-	-	-	3,678,079
Supervision of instruction	3,352	467,724	-	-	-	-	-	-	471,076
School site administration	590,818	794	-	-	-	-	-	-	591,612
Pupil support services:									
Food services	-	5,175	-	-	-	-	-	-	5,175
All other pupil services	-	56,151	-	-	-	-	-	-	56,151
General administration services:									
Other general administration	-	-	-	-	-	43,030	-	-	43,030
Plant services	262,403	11,668	-	-	-	-	-	-	274,071
Transfers of indirect costs	95,510	109,972	-	-	-	-	-	-	205,482
Capital outlay	-	-	1,050,909	239,290	12,824,039	104,242	-	-	14,218,480
Debt service:									
Principal	-	-	-	-	-	-	3,325,000	835,000	4,160,000
Interest	-	-	-	-	-	-	5,407,402	715,823	6,123,225
Issuance costs	-	-	-	-	-	-	550,502	125,002	675,504
Total Expenditures	2,642,937	2,638,709	1,050,909	239,290	12,824,039	147,272	9,282,904	1,675,825	30,501,885
Excess (Deficiency) of Revenues Over (Under) Expenditures	825,924	-	(960,144)	(204,363)	(10,969,560)	(147,054)	726,623	(1,667,557)	(12,396,131)
OTHER FINANCING SOURCES (USES)									
Interfund transfers in	1,928,490	-	378,845	30,994	5,911,901	-	-	1,918,000	10,168,230
Interfund transfers out	-	-	(1,173,855)	-	-	(378,845)	-	(4,769,040)	(6,321,740)
Proceeds from COP issuance	-	-	-	-	-	-	-	3,673,026	3,673,026
Proceeds from refunding bonds	-	-	-	-	-	-	53,365,000	-	53,365,000
Transfer to escrow agent for defeased debt	-	-	-	-	-	-	(52,814,498)	(4,145,644)	(56,960,142)
Total Other Financing Sources and Uses	1,928,490	-	(795,010)	30,994	5,911,901	(378,845)	550,502	(3,323,658)	3,924,374
Net Change in Fund Balances	2,754,414	-	(1,755,154)	(173,369)	(5,057,659)	(525,899)	1,277,125	(4,991,215)	(8,471,757)
Fund Balances, July 1, 2015	-	-	18,912,653	4,487,551	16,074,872	3,945,659	7,817,853	7,516,931	58,755,519
Fund Balances, June 30, 2016	\$ 2,754,414	\$ -	\$ 17,157,499	\$ 4,314,182	\$ 11,017,213	\$ 3,419,760	\$ 9,094,978	\$ 2,525,716	\$ 50,283,762

See accompanying note to supplementary information.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

Individual Combining Financial Statements

Individual combining balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to financial statements.

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 not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement as required by Education Code section 46201.

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.

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.

Other Independent Auditors' Reports

(This page intentionally left blank)



**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
Riverside Unified School District
Riverside, 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 Riverside Unified School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Riverside Unified School District's basic financial statements, and have issued our report thereon dated December 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Riverside 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 Riverside Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Riverside 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 Riverside 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2016-001.

Riverside Unified School District's Response to Finding

Riverside Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Riverside Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Murrieta, California
December 6, 2016



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Riverside Unified School District
Riverside, California

Report on State Compliance

We have audited Riverside Unified School District's compliance with the types of compliance requirements described in the *2015-16 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 Riverside Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Riverside Unified School District's State programs based on our audit of the types of compliance requirements referred to below. 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 *2015-16 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 below occurred. An audit includes examining, on a test basis, evidence about Riverside 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 Riverside Unified School District's compliance.

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Not Applicable
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
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, Riverside Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above, which is required to be reported in accordance with *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2016-001.

District's Response to Finding

Riverside Unified School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Riverside Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro+Nigro, PC

Murrieta, California
December 6, 2016



**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
Riverside Unified School District
Riverside, California

Report on Compliance for Each Major Federal Program

We have audited Riverside 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 Riverside Unified School District's major federal programs for the year ended June 30, 2016. Riverside 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 Riverside 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 Riverside 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 Riverside Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Riverside 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, 2016.

Report on Internal Control Over Compliance

Management of Riverside 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 Riverside 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, as defined above. 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 6, 2016

Findings and Questioned Costs

(This page intentionally left blank)

RIVERSIDE UNIFIED SCHOOL DISTRICT

Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2016

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 500.516	<u>No</u>
Identification of major programs:	
CFDA Numbers	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	<u>Child Nutrition Cluster</u>
93.778	<u>Medicaid Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,378,396</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>
---	-------------------

RIVERSIDE UNIFIED SCHOOL DISTRICT

Schedule of Audit Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2016

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
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 2015-16.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

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 2015-16.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2016-001: School Accountability Report Card (72000)

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 Education Code §17002.

Condition: It was noted that the School Facility Repair Status on the SARC for Central Middle School did not match the FIT form.

Question Costs: None.

Context: The error was noted for one of the twelve schools selected.

Cause: The SARC reported the Interior Surfaces and Electrical categories as being in "Good" condition, while the FIT form reported both of these categories as "Poor".

Effect: Without proper compliance, the public will be misinformed on the status of the school's facilities.

Recommendation: We recommend that an employee verify the information presented in the SARC.

Views of Responsible Officials: The District agrees with the finding and recommendation. The District will include a review of the SARC information by an employee to prevent this type of error in the report.

RIVERSIDE UNIFIED SCHOOL DISTRICT*Summary Schedule of Prior Audit Findings**For the Fiscal Year Ended June 30, 2016*

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2015-1: Adult Education Maintenance of Effort</i>	Education Code Section 42238.03(a)(7) required that for fiscal year 2014-15 the District expend on Adult Education no less than the amount the District received for that purpose in 2012-13 or spent for that purpose in 2012-13; whichever is less. The District did not expend the required amount for Adult Education in 2014-15. The District was required to spend at least \$2,591,690 on adult education. During the 2014-15 fiscal year, the District expended \$1,041,359.	40000	We recommend that the District determine the future of the Adult Education program based on locally identified needs.	Implemented.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Riverside Unified School District (the “District”) in connection with the issuance of \$100,000,000 of the District’s Election of 2016 General Obligation Bonds, Series A (the “Bonds”). The Bonds are being issued pursuant to a resolution of the Board of Education of the District adopted on March 20, 2017 (the “Resolution”). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement dated as of May 4, 2017 and relating to the Bonds.

“Participating Underwriter” shall mean the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2016-17 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent, no later than the date required by subsection (a). The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (a) State funding received by the District for the last completed fiscal year;
- (b) Average daily attendance of the District for the last completed fiscal year;
- (c) Outstanding District indebtedness;
- (d) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

- (e) Information regarding total assessed valuation of taxable properties within the District, and;
- (f) Information regarding total secured tax charges and delinquencies on taxable properties within the District, to the extent the County has elected to disenroll the Teeter Plan.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. optional, contingent or unscheduled Bond calls.
4. defeasances.
5. rating changes.
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
7. unscheduled draws on the debt service reserves reflecting financial difficulties.
8. unscheduled draws on credit enhancement reflecting financial difficulties.
9. substitution of the credit or liquidity providers or their failure to perform.
10. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental

authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
4. release, substitution or sale of property securing repayment of the Bonds.
5. 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.
6. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by

the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: May 25, 2017

RIVERSIDE UNIFIED SCHOOL DISTRICT

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: RIVERSIDE UNIFIED SCHOOL DISTRICT

Name of Bond Issue: Election of 2016 General Obligation Bonds, Series A

Date of Issuance: May 25, 2017

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

RIVERSIDE UNIFIED SCHOOL DISTRICT

By _____ [form only; no signature required]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF RIVERSIDE AND RIVERSIDE COUNTY

The following information regarding the City of Riverside (the “City”), and Riverside County (the “County”) is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the City or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Bond Counsel.

General

City of Riverside. Located approximately 60 miles east of downtown Los Angeles, the City is comprised of 81.507 square miles of land area and was incorporated on October 11, 1883. A Charter City, Riverside has a Council-Manager form of municipal government. The City Council is composed of seven members elected on a non-partisan basis, by ward, for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the Council, but does not have a vote except in the case of a tie. The City Council hires the City Manager, who is responsible for the day-to-day administration of city business. Education, health and retail services make up the majority of the City’s economy.

Riverside County. A General Law County with 7,295 square miles, Riverside is the fourth largest county by area in the State of California. It runs from the Arizona border west to within 10 miles of the Pacific Ocean, and is located east of Los Angeles and Orange Counties, and south of San Bernardino County. The County Board of Supervisors is comprised of biennially elected supervisors from each of five districts, who serve four-year terms. All County policy making powers are vested in the County Board of Supervisors. The current affordability of residential and commercial real estate in the region has been a major driver of economic growth, with labor markets among the fastest growing in the State of California.

Population

The following table shows historical population figures for the City, the County and the State of California for the past ten years.

POPULATION ESTIMATES
2007 through 2016
City of Riverside, Riverside County and the State of California

<u>Year</u> ⁽¹⁾	<u>City of</u> <u>Riverside</u>	<u>Riverside</u> <u>County</u>	<u>State of</u> <u>California</u>
2007	289,674	2,049,902	36,399,676
2008	293,988	2,102,741	36,704,375
2009	298,721	2,140,626	36,966,713
2010 ⁽²⁾	303,871	2,189,641	37,253,956
2011	307,207	2,212,874	37,536,835
2012	311,332	2,239,715	37,881,357
2013	316,162	2,266,549	38,239,207
2014	318,511	2,291,093	38,567,459
2015	321,655	2,317,924	38,907,642
2016	324,696	2,347,828	39,255,883

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.

2007-09, 2011-16 (2000 and 2010 Demographic Research Unit Benchmark): California Department of Finance for January 1.

[REMAINDER OF PAGE LEFT BLANK]

Income

The following table summarizes per capita personal income for the County, the State of California and the United States for the past ten years.

PER CAPITA PERSONAL INCOME
2007 through 2016
Riverside County, State of California, and United States

<u>Year</u>	<u>Riverside County</u>	<u>State of California</u>	<u>United States</u>
2007	\$31,972	\$43,692	\$39,821
2008	31,932	44,162	41,082
2009	30,446	42,224	39,376
2010	30,380	43,317	40,277
2011	31,828	45,849	42,461
2012	32,263	48,369	44,282
2013	32,765	48,570	44,493
2014	33,867	51,134	46,464
2015	35,589	53,949	48,190
2016	--	55,987	49,571

Note: Per capital personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2016 reflect county population estimates available as of March 2017. All dollar estimates are in current dollars (not adjusted for inflation). County level data not yet available for 2016.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

[REMAINDER OF PAGE LEFT BLANK]

Principal Employers

The following tables list the principal employers located in the City and the County.

PRINCIPAL EMPLOYERS

2016

City of Riverside

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
County of Riverside	Public Administration	11,956
University of California	Services: Educational	8,306
Kaiser	Services: Health	4,500
Riverside School District	Services: Educational	4,000
City of Riverside	Public Administration	2,507
Riverside Community Hospital	Services: Health	2,400
Riverside County Office of Education	Services: Educational	1,765
Alvord Unified School District	Services: Educational	1,445
Parkview Community Hospital	Services: Health	1,350
Riverside Community College District	Services: Educational	1,061

Source: City of Riverside Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2016.

PRINCIPAL EMPLOYERS

2016

County of Riverside

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
County of Riverside	Public Administration	21,479
March Air Reserve Base	National Security	8,500
University of California Riverside	Services: Educational	8,306
Amazon	Retail Trade: General Merchandise Stores	7,500
Stater Brothers Market	Retail Trade: Food Stores	6,900
Kaiser Permanente Riverside Medical Center	Services: Health	5,300
Corona-Norco Unified School District	Services: Educational	5,098
Desert Sands Unified School District	Services: Educational	4,202
Riverside Unified School District	Services: Educational	3,973
Pechanga Resort Casino	Amusement and Recreation Services	3,931

Source: County of Riverside Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2016.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2011 through 2015 for the City, the County, the State of California and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES 2011 through 2015⁽¹⁾ City of Riverside, Riverside County, State of California, and United States

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽²⁾	<u>Unemployment</u> ⁽³⁾	<u>Unemployment Rate (%)</u>
<u>2011</u>				
City of Riverside	165,300	142,400	22,900	13.9
Riverside County	939,600	810,400	129,200	13.8
State of California	18,415,100	16,258,100	2,157,000	11.7
United States	153,617,000	139,869,000	13,747,000	8.9
<u>2012</u>				
City of Riverside	166,100	145,600	20,500	12.3
Riverside County	944,500	828,800	115,600	12.3
State of California	18,551,400	16,627,800	1,923,600	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
<u>2013</u>				
City of Riverside	167,600	150,300	17,400	10.4
Riverside County	953,200	855,300	97,900	10.3
State of California	18,670,100	17,001,000	1,669,000	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
<u>2014</u>				
City of Riverside	146,500	135,000	11,500	7.9
Riverside County	1,011,500	928,200	83,400	8.2
State of California	18,827,900	17,418,800	1,409,900	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
<u>2015</u>				
City of Riverside	148,400	138,800	9,500	6.4
Riverside County	1,035,200	965,500	69,600	6.7
State of California	18,891,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department, March 2015 Benchmark.

Industry

The County is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area. The distribution of employment in the Metropolitan Division is presented in the following table for the calendar years 2012 through 2016. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES 2012 through 2016 Riverside County (Riverside-San Bernardino-Ontario Metropolitan Statistical Area)

<u>Category</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Farm	15,000	14,500	14,400	14,800	14,700
Total Nonfarm	1,185,200	1,233,300	1,289,300	1,347,100	1,400,800
Total Private	960,600	1,008,100	1,060,500	1,119,800	1,160,300
Goods Producing	150,500	158,600	170,200	183,000	192,300
Mining and Logging	1,200	1,200	1,300	1,300	900
Construction	62,600	70,000	77,600	85,700	92,500
Manufacturing	86,700	87,300	91,300	96,100	98,900
Durable Goods	56,900	57,300	60,200	63,100	64,800
Nondurable Goods	29,800	30,100	31,100	33,000	34,100
Service Providing	1,034,700	1,074,700	1,119,100	1,170,100	1,208,500
Private Service Producing	810,100	849,600	890,300	936,800	968,000
Trade, Transportation and Utilities	287,600	299,700	314,900	333,200	346,300
Wholesale Trade	52,200	56,400	58,900	61,600	62,900
Retail Trade	162,400	164,800	169,400	174,300	179,000
Transportation, Warehousing and Utilities	73,000	78,400	86,600	97,400	104,400
Information	11,700	11,500	11,300	11,400	11,600
Financial Activities	40,700	41,800	42,900	43,900	45,300
Professional and Business Services	127,100	131,900	138,700	147,400	145,800
Educational and Health Services	173,600	187,600	194,800	205,100	214,300
Leisure and Hospitality	129,400	135,900	144,800	151,700	159,700
Other Services	40,100	41,100	43,000	44,000	45,100
Government	<u>224,600</u>	<u>225,200</u>	<u>228,800</u>	<u>233,300</u>	<u>240,500</u>
Total, All Industries	<u>1,200,200</u>	<u>1,247,800</u>	<u>1,303,700</u>	<u>1,362,900</u>	<u>1,415,400</u>

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment. March 2016 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the City and the County from 2011 through 2015 are shown in the following tables.

ANNUAL TAXABLE SALES 2011 through 2015 City of Riverside (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2011	5,764	\$3,144,537	8,066	\$4,019,127
2012	6,196	3,348,220	8,484	4,238,975
2013	5,436	3,580,926	7,673	4,612,948
2014	5,782	3,893,497	8,051	5,072,694
2015	(1)	4,028,227	(1)	5,371,364

Note: In 2009, retail permits expanded to include permits for food services.

(1) Statistics for calendar year 2015 are not available.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES 2011 through 2015 Riverside County (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2011	33,398	\$18,576,285	46,886	\$25,641,497
2012	34,683	20,016,668	48,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467
2014	34,910	22,646,343	48,543	32,035,687
2015	(1)	23,281,724	(1)	32,910,910

Note: In 2009, retail permits expanded to include permits for food services.

(1) Statistics for calendar year 2015 are not available.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2011 through 2015 for the City and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS 2011 through 2015 City of Riverside (Dollars in Thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Valuation					
Residential	\$43,372	\$73,345	\$30,646	\$80,367	\$86,166
Non-Residential	<u>93,210</u>	<u>53,007</u>	<u>115,561</u>	<u>70,046</u>	<u>124,254</u>
Total	\$136,582	\$126,352	\$146,207	\$150,413	210,420
Units					
Single Family	43	193	70	230	222
Multi Family	<u>236</u>	<u>168</u>	<u>51</u>	<u>85</u>	<u>224</u>
Total	279	361	121	315	446

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS 2011 through 2015 Riverside County (Dollars in Thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Valuation					
Residential	\$879,949	\$1,079,405	\$1,375,593	\$1,621,751	\$1,536,742
Non-Residential	<u>559,409</u>	<u>657,595</u>	<u>873,977</u>	<u>814,990</u>	<u>911,465</u>
Total	\$1,439,358	\$1,737,000	\$2,249,570	\$2,436,741	2,448,207
Units					
Single Family	2,659	3,720	4,716	5,007	5,007
Multiple Family	<u>1,061</u>	<u>909</u>	<u>1,427</u>	<u>1,931</u>	<u>1,189</u>
Total	3,720	4,629	6,143	6,938	6,196

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

APPENDIX E

RIVERSIDE COUNTY POOLED INVESTMENT FUND

The following information concerning the Riverside County Pooled Investment Fund (the “Investment Pool”) has been provided by the County Treasurer-Tax Collector (the “Treasurer”), and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. The District, the Financial Advisor and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, none of the District, the Financial Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at <https://www.countytreasurer.org/>; however, the information presented on such website is not incorporated herein by any reference.

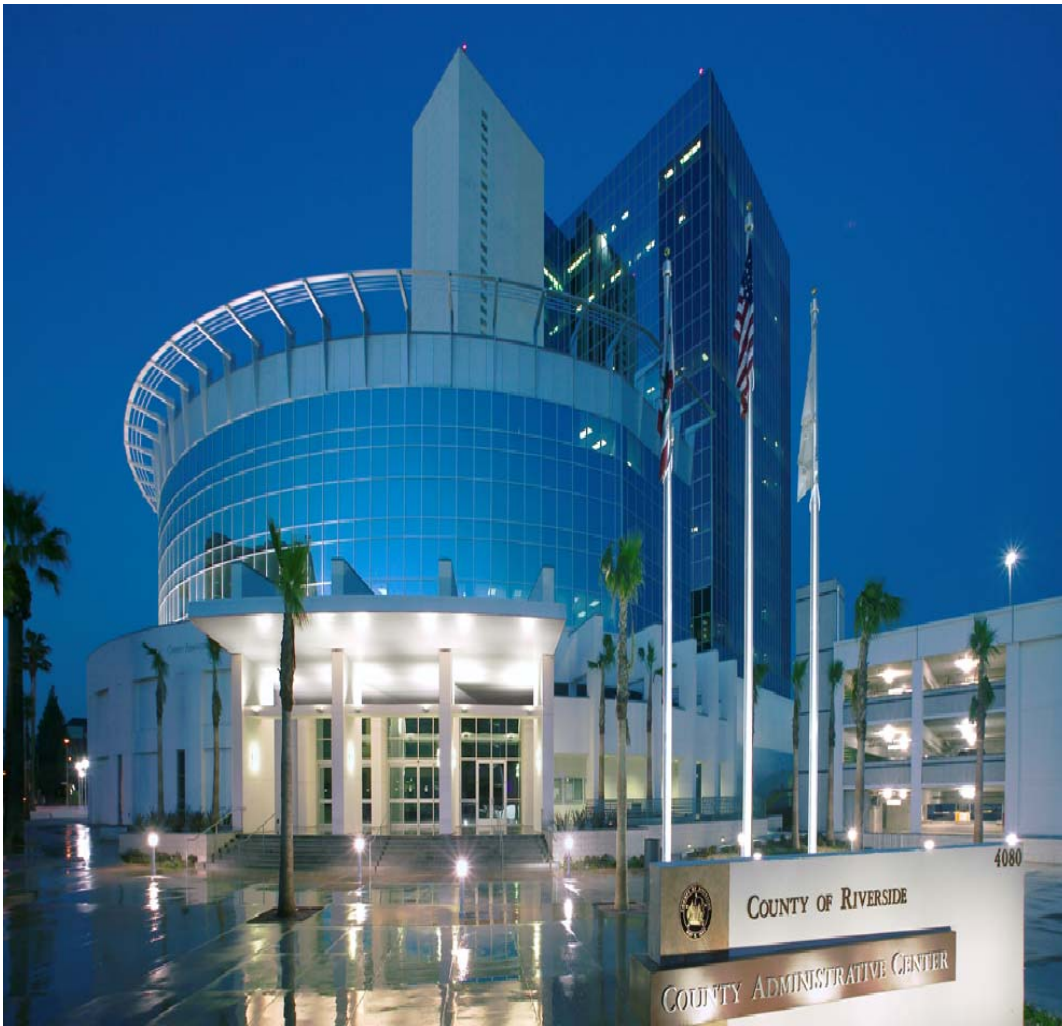
[THIS PAGE INTENTIONALLY LEFT BLANK]



February 2017

County of Riverside

Treasurer's Pooled Investment



Capital Markets Team

Don Kent

Treasurer-Tax Collector

Jon Christensen

Asst. Treasurer-Tax Collector

Giovane Pizano

Investment Manager

Isela Licea

Asst. Investment Manager

Investment Objectives

The primary objective of the treasurer shall be to **safeguard the principal** of the funds under the treasurer's control, meet the **liquidity needs** of the depositor, and achieve a **return on the funds** under his or her control.

COUNTY OF RIVERSIDE TREASURER'S POOLED INVESTMENT FUND IS CURRENTLY RATED: Aaa-bf BY MOODY'S INVESTOR'S SERVICE AND AAA/V1 BY FITCH RATINGS

	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	Yrs to Maturity	Modified Duration
February	6,692,173,247.08	6,704,345,453.07	(12,172,205.99)	(0.18)	0.90	1.26	1.23
January	6,807,339,004.02	6,820,287,408.45	(12,948,404.43)	(0.19)	0.85	1.24	1.21
December	7,535,408,708.47	7,551,196,851.23	(15,788,142.76)	(0.21)	0.78	1.15	1.12
November	6,033,009,890.44	6,046,622,157.21	(13,612,266.77)	(0.23)	0.77	1.29	1.26
October	5,928,768,948.80	5,927,146,578.70	1,622,370.10	0.03	0.73	1.23	1.21
September	5,916,650,304.83	5,911,244,395.48	5,405,909.35	0.09	0.73	1.23	1.20

The Treasurer's Pooled Investment Fund is comprised of the County, Schools, Special Districts, and other Discretionary Depositors.

Current Market Data

Economic Indicators

Release Date	Indicator	Consensus	Actual
02/03/2017	Non-Farm Payrolls M/M change: Counts the number of paid employees working part-time or full-time in the nation's business and government establishments.	180,000	227,000
02/03/2017	Employment Situation: Measures the number of unemployed as a percentage of the labor force.	4.7%	4.8%
02/03/2017	Durable Goods Orders - M/M change: Reflects the new orders placed with domestic manufacturers for immediate and future delivery of factory hard goods.	-0.4%	-0.5%
02/28/2017	Real Gross Domestic Product - Q/Q change: The broadest measure of aggregate economic activity and encompasses every sector of the economy. GDP is the country's most comprehensive economic scorecard.	2.1%	1.9%
02/28/2017	Consumer Confidence: Measures consumer attitudes on present economic conditions and expectations of future conditions.	111.0	114.8
02/03/2017	Factory Orders M/M change: Represents the dollar level of new orders for both durable and nondurable goods.	0.5%	1.3%
02/15/2017	Consumer Price Index - M/M change: The Consumer Price Index is a measure of the average price level of a fixed basket of goods and services purchased by consumers.	0.3%	0.6%
02/15/2017	CPI Ex Food and Energy - M/M change: CPI Ex Food and Energy excludes food and energy.	0.2%	0.3%

Stock Indices

	Value	Change
Dow Jones (DJIA)	\$ 20,812.24	\$ 948.15
S&P 500 Index	\$ 2,363.64	\$ 84.77
NASDAQ (NDX)	\$ 5,330.30	\$ 213.54

Commodities

	Value	Change
Nymex Crude	\$ 54.01	\$ 1.20
Gold (USD/OZ)	\$ 1,248.33	\$ 37.68

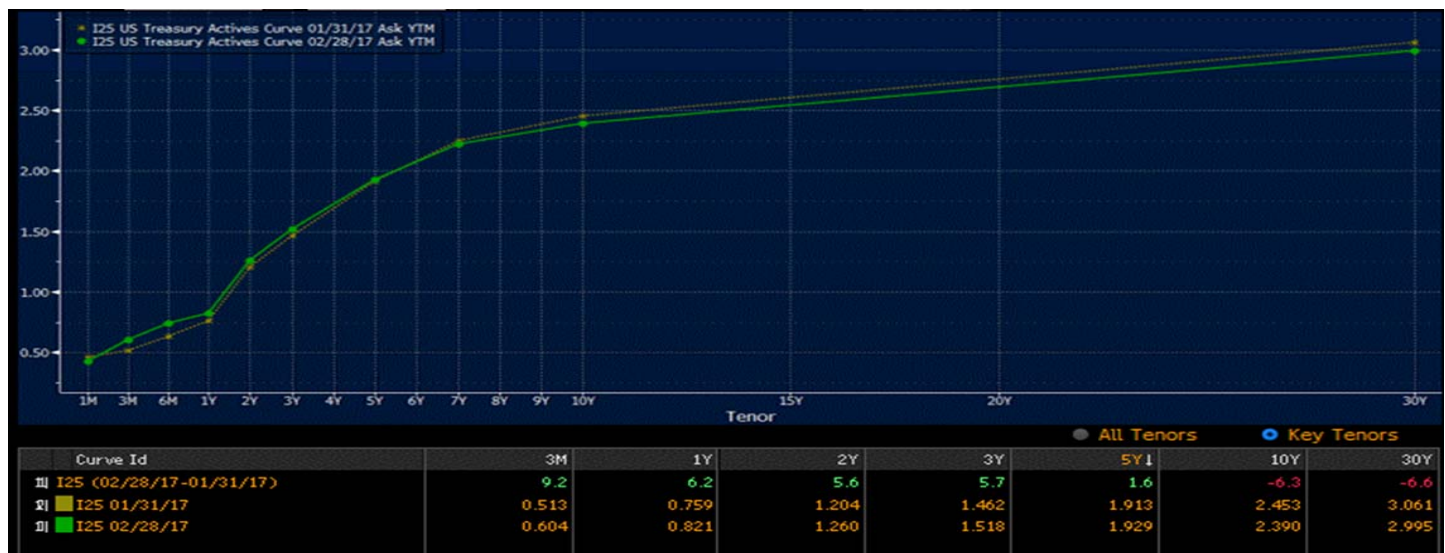
Fed Funds Target Rate

Current Fed Funds Rate: 0.50% - 0.75%		
Probability for FOMC Dates:		
Fed Move	03/15/2017	05/03/2017
Stay at 0.50%-0.75%	4.0%	3.6%
Increase to 1.00%	96.0%	87.9%
Increase to 1.25%	0.0%	8.5%
Increase to 1.50%	0.0%	0.0%

FOMC Meeting Schedule

Release	%	Risk Assessment
01-Feb	0.5-0.75%	Balanced
15-Mar	-	-

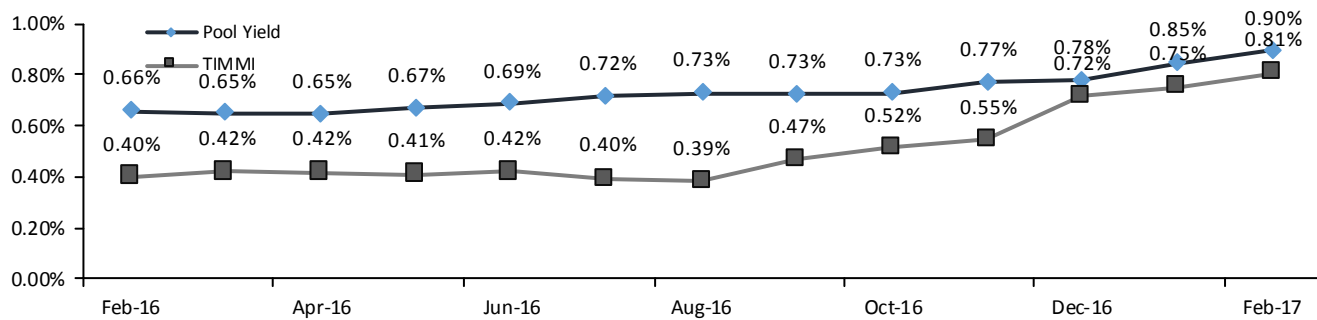
US Treasury Curve (M/M)



TIMMI

The Treasurer’s Institutional Money Market Index (TIMMI) is compiled and reported by the Riverside County Treasurer’s Capital Markets division. It is a composite index derived from four AAA rated prime institutional money market funds. Similar to the Treasurer’s Office, prime money market funds invest in a diversified portfolio of U.S. dollar denominated money market instruments including U.S. Treasuries, government agencies, commercial paper, certificates of deposits, repurchase agreements, etc. TIMMI is currently comprised of the four multi billion dollar funds listed below.

AAA Rated Prime Institutional Money-Market Funds		
Fund	Symbol	7 Day Yield
Fidelity Prime Institutional MMF	FIPXX	0.84%
Federated Prime Obligations Fund	POIXX	0.71%
Wells Fargo Advantage Heritage	WFJXX	0.80%
JP Morgan	CJPXX	0.89%



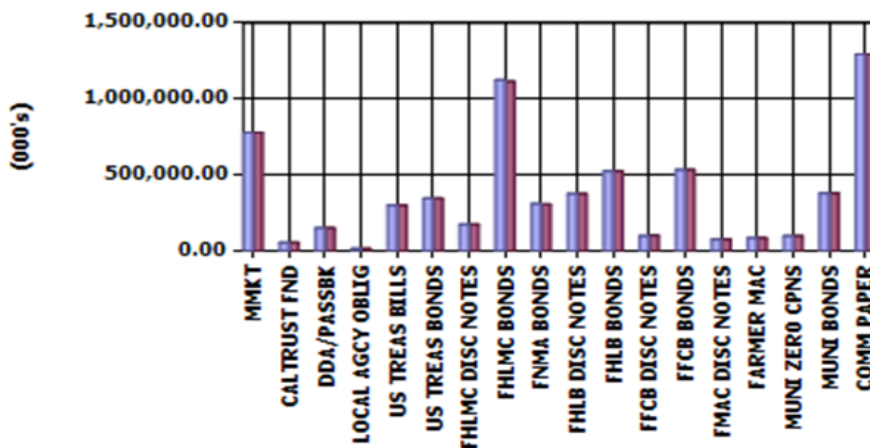
Cash Flows

Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matured Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
03/2017					232.30		
03/2017	1,200.00	1,080.00	120.00		352.30	1,539.98	
04/2017	1,800.00	950.00	850.00		1,202.30	383.14	
05/2017	850.00	1,500.00	(650.00)		552.30	764.90	
06/2017	1,400.00	1,850.00	(450.00)		102.30	636.02	
07/2017	1,256.11	1,450.00	(193.89)	91.59	-	195.00	
08/2017	1,017.89	1,200.00	(182.11)	182.11	-	127.05	
09/2017	1,004.10	1,110.00	(105.90)	105.90	-	69.10	
10/2017	1,127.50	1,200.00	(72.50)	72.50	-	77.50	
11/2017	1,165.00	1,050.00	115.00		115.00	254.48	
12/2017	990.00	2,250.00	(1,260.00)	1,145.00	-	140.70	
01/2018	1,050.00	1,710.00	(660.00)	660.00	-	100.00	
02/2018	860.00	1,000.00	(140.00)	140.00	-	66.54	
TOTALS	13,720.60	16,350.00	(2,629.40)	2,397.10	2,556.50	4,354.41	4,307.24
				35.75%		64.95%	64.25%

The Pooled Investment Fund cash flow requirements are based upon a 12 month historical cash flow model. Based upon projected cash receipts and maturing investments, there are sufficient funds to meet future cash flow disbursements over the next 12 months.

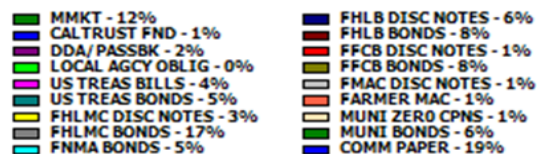
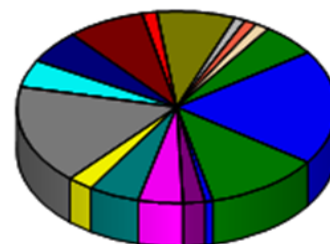
Asset Allocation

Assets (000's)	Scheduled Par	Scheduled Book	Scheduled Market	Mkt/ Sch Book	Yield	WAL (Yr)	Mat (Yr)
MMKT	779,980.01	780,000.00	780,000.00	100.00%	0.58%	.003	.003
CALTRUST FND	54,000.00	54,000.00	54,000.00	100.00%	0.91%	.003	.003
DDA/PASSBK	150,000.00	150,000.00	150,000.00	100.00%	0.63%	.003	.003
LOCAL AGCY OBLIG	265.00	265.00	265.00	100.00%	1.35%	3.296	3.296
US TREAS BILLS	300,000.00	299,058.52	299,665.25	100.20%	0.50%	.220	.220
US TREAS BONDS	345,000.00	344,918.16	345,065.20	100.04%	0.96%	1.045	1.045
FHLMC DISC NOTES	175,000.00	174,557.07	174,844.75	100.16%	0.47%	.169	.169
FHLMC BONDS	1,126,175.00	1,126,147.03	1,115,776.75	99.08%	1.29%	2.131	3.216
FNMA BONDS	310,000.00	309,968.55	306,206.33	98.79%	1.20%	2.772	3.111
FHLB DISC NOTES	378,000.00	376,482.71	377,242.91	100.20%	0.66%	.357	.357
FHLB BONDS	525,859.72	525,758.45	523,877.51	99.64%	1.14%	1.454	2.573
FFCB DISC NOTES	100,000.00	99,476.54	99,829.25	100.35%	0.58%	.307	.307
FFCB BONDS	533,910.00	534,021.30	533,702.35	99.94%	0.96%	1.766	2.138
FMAC DISC NOTES	75,000.00	74,731.58	74,875.50	100.19%	0.68%	.300	.300
FARMER MAC	83,850.00	83,850.00	84,117.04	100.32%	0.97%	1.219	1.219
MUNI ZERO CPNS	97,450.00	97,311.28	97,354.56	100.04%	0.76%	.129	.129
MUNI BONDS	376,035.00	378,921.92	378,921.92	100.00%	0.98%	1.183	1.183
COMM PAPER	1,298,000.00	1,294,877.33	1,296,428.95	100.12%	0.80%	.149	.149
Totals (000's):	6,708,524.73	6,704,345.45	6,692,173.25	99.82%	0.90%	.949	1.264



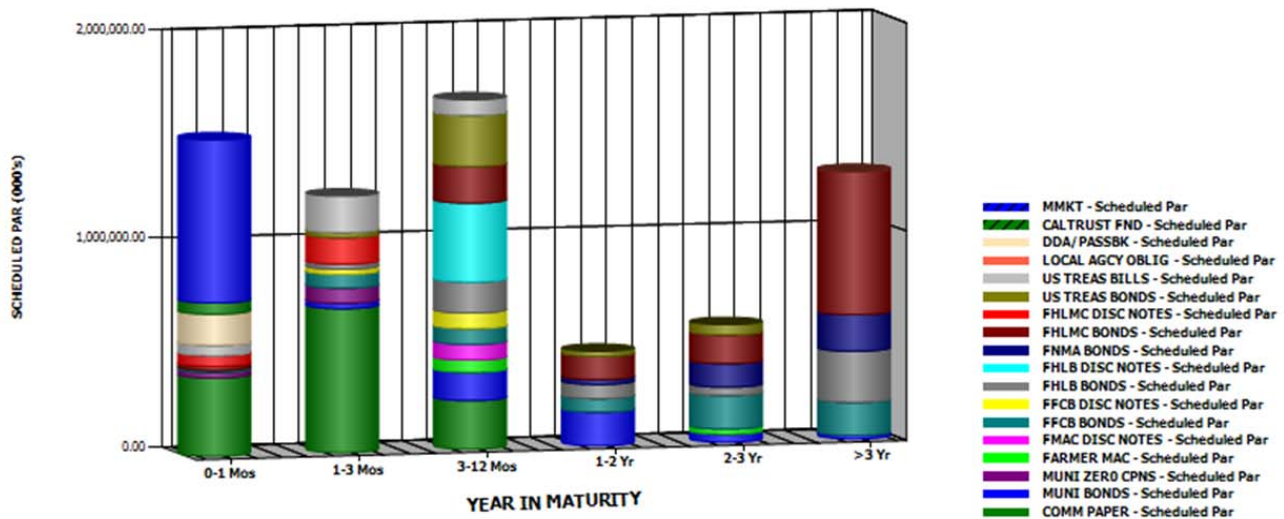
■ Scheduled Book
 ■ Market

SCHEDULED PAR %



Maturity Distribution

Scheduled Par (000's)	0-1 Mos	1-3 Mos	3-12 Mos	1-2 Yr	2-3 Yr	>3 Yr	Totals (000's)
MMKT	779,980.01	-	-	-	-	-	779,980.01
CALTRUST FND	54,000.00	-	-	-	-	-	54,000.00
DDA/PASSBK	150,000.00	-	-	-	-	-	150,000.00
LOCAL AGCY OBLIG	-	-	-	-	-	265.00	265.00
US TREAS BILLS	50,000.00	175,000.00	75,000.00	-	-	-	300,000.00
US TREAS BONDS	-	25,000.00	245,000.00	25,000.00	50,000.00	-	345,000.00
FHLMC DISC NOTES	50,000.00	125,000.00	-	-	-	-	175,000.00
FHLMC BONDS	20,000.00	-	174,595.00	110,850.00	137,025.00	683,705.00	1,126,175.00
FNMA BONDS	-	-	-	22,500.00	112,500.00	175,000.00	310,000.00
FHLB DISC NOTES	-	-	378,000.00	-	-	-	378,000.00
FHLB BONDS	-	25,000.00	147,640.00	68,219.72	40,000.00	245,000.00	525,859.72
FFCB DISC NOTES	-	25,000.00	75,000.00	-	-	-	100,000.00
FFCB BONDS	10,000.00	65,650.00	75,250.00	65,000.00	160,310.00	157,700.00	533,910.00
FMAC DISC NOTES	-	-	75,000.00	-	-	-	75,000.00
FARMER MAC	-	-	58,850.00	-	25,000.00	-	83,850.00
MUNI ZERO CPNS	25,000.00	72,450.00	-	-	-	-	97,450.00
MUNI BONDS	-	24,930.00	135,155.00	160,665.00	38,495.00	16,790.00	376,035.00
COMM PAPER	375,000.00	690,000.00	233,000.00	-	-	-	1,298,000.00
Totals (000's):	1,513,980.01	1,228,030.00	1,672,490.00	452,234.72	563,330.00	1,278,460.00	6,708,524.73
%	22.57%	18.31%	24.93%	6.74%	8.40%	19.06%	
Cumulative %	22.57%	40.87%	65.80%	72.55%	80.94%	100.00%	



Credit Quality

Moody (000's)	Par	Book	Market	MKT/Book	Yield
Aaa	4,479,169.73	4,476,821.88	4,462,643.82	99.68%	0.94%
Aa1	455,455.00	455,529.91	455,860.89	100.07%	0.84%
Aa2	692,770.00	691,446.96	692,279.81	100.12%	0.74%
Aa3	572,015.00	571,700.12	572,131.19	100.08%	0.93%
NR	509,115.00	508,846.58	509,257.54	100.08%	0.75%
Totals (000's):	6,708,524.73	6,704,345.45	6,692,173.25	99.82%	0.90%

MOODY'S

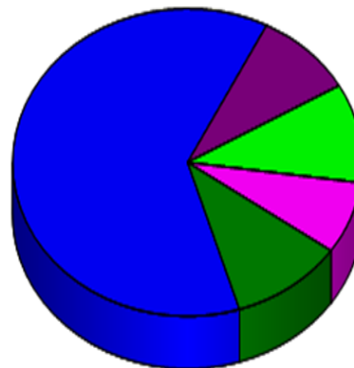
BOOK %



Aaa - 67% Aa3 - 9%
 Aa1 - 7% NR - 8%
 Aa2 - 10%

S & P

BOOK %



AAA - 10% AA- - 10%
 AA+ - 62% NR - 8%
 AA - 9%

S&P (000's)	Par	Book	Market	MKT/Book	Yield
AAA	700,635.01	702,564.34	702,564.34	100.00%	0.59%
AA+	4,178,989.72	4,174,975.23	4,161,206.84	99.67%	0.98%
AA	617,770.00	617,154.39	617,864.50	100.12%	0.79%
AA-	702,015.00	700,804.91	701,280.03	100.07%	0.88%
NR	509,115.00	508,846.58	509,257.54	100.08%	0.75%
Totals (000's):	6,708,524.73	6,704,345.45	6,692,173.25	99.82%	0.90%

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Maturity	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
Fund: 1 POOL FUND											
MMKT											
FRGXX	FIDELITY GOV	03/01/2017	.470	.470	190,000,000.00	190,000,000.00	100.000000	190,000,000.00	0.00	.003	.003
WFFXX	WELLS FARGO GOV	03/01/2017	.470	.470	55,000,000.00	55,000,000.00	100.000000	55,000,000.00	0.00	.003	.003
GOFXX	FEDERATED GOV	03/01/2017	.480	.480	225,000,000.00	225,000,000.00	100.000000	225,000,000.00	0.00	.003	.003
CASH	BANK OF THE WEST	03/01/2017	.770	.770	200,000,000.00	200,000,000.00	100.000000	200,000,000.00	0.00	.003	.003
FGTXX	GOLDMAN SACHS GOV	03/01/2017	.470	.470	60,000,000.00	60,000,000.00	100.000000	60,000,000.00	0.00	.003	.003
CJPXX	JP MORGAN PRIME MMF	03/01/2017	.890	.888	24,990,004.00	25,000,000.00	100.040000	25,000,000.00	0.00	.003	.003
FIPXX	FIDELITY PRIME MMF	03/01/2017	.850	.848	24,990,004.00	25,000,000.00	100.040000	25,000,000.00	0.00	.003	.003
			.575	.575	779,980,008.00	780,000,000.00	100.002563	780,000,000.00	0.00	.003	.003
CALTRUST FND											
CLTR	CALTRUST SHT TERM	03/01/2017	.912	.912	54,000,000.00	54,000,000.00	100.000000	54,000,000.00	0.00	.003	.003
			.912	.912	54,000,000.00	54,000,000.00	100.000000	54,000,000.00	0.00	.003	.003
DDA/PASSBK											
CASH	UB MANAGED RATE	03/01/2017	.630	.630	150,000,000.00	150,000,000.00	100.000000	150,000,000.00	0.00	.003	.003
			.630	.630	150,000,000.00	150,000,000.00	100.000000	150,000,000.00	0.00	.003	.003
LOCAL AGCY OBLIG											
LAO	US DIST COURTHOUSE	06/15/2020	1.355	1.355	265,000.00	265,000.00	100.000000	265,000.00	0.00	1.574	3.296
			1.355	1.355	265,000.00	265,000.00	100.000000	265,000.00	0.00	1.574	3.296
US TREAS BILLS											
912796J17	U.S. TREASURY BILL	05/25/2017	.510	.512	50,000,000.00	49,761,291.67	99.880000	49,940,000.00	178,708.33	.234	.236
912796J17	U.S. TREASURY BILL	05/25/2017	.440	.442	50,000,000.00	49,828,277.78	99.880000	49,940,000.00	111,722.22	.234	.236
912796J17	U.S. TREASURY BILL	05/25/2017	.428	.429	50,000,000.00	49,859,116.67	99.880000	49,940,000.00	80,883.33	.234	.236
912796KM0	U.S. TREASURY BILL	03/09/2017	.405	.406	50,000,000.00	49,912,250.00	99.991000	49,995,500.00	83,250.00	.025	.025
912796J17	U.S. TREASURY BILL	05/25/2017	.600	.602	25,000,000.00	24,925,833.33	99.880000	24,970,000.00	44,166.67	.234	.236
912796LD9	U.S. TREASURY BILL	06/08/2017	.620	.612	25,000,000.00	24,922,839.58	99.863000	24,965,750.00	42,910.42	.272	.274
912796LF4	U.S. TREASURY BILL	06/29/2017	.600	.603	50,000,000.00	49,848,915.28	99.828000	49,914,000.00	65,084.72	.329	.332
			.499	.500	300,000,000.00	299,058,524.31	99.888417	299,665,250.00	606,725.69	.218	.220
US TREAS BONDS											
912828TB6	U.S. TREASURY BOND	06/30/2017	.750	.932	5,000,000.00	4,971,875.00	100.062000	5,003,100.00	31,225.00	.332	.334
912828WH9	U.S. TREASURY BOND	05/15/2017	.875	.752	25,000,000.00	25,077,148.44	100.079000	25,019,750.00	-57,398.44	.207	.208
912828TS9	U.S. TREASURY BOND	09/30/2017	.625	.723	10,000,000.00	9,981,250.00	99.930000	9,993,000.00	11,750.00	.580	.586
912828H94	U.S. TREASURY BOND	02/15/2018	1.000	.920	10,000,000.00	10,017,968.75	100.063000	10,006,300.00	-11,668.75	.957	.964
912828UJ7	U.S. TREASURY BOND	01/31/2018	.875	.990	25,000,000.00	24,936,523.44	99.965000	24,991,250.00	54,726.56	.910	.923
912828WL0	U.S. TREASURY BOND	05/31/2019	1.500	1.370	25,000,000.00	25,110,351.56	100.465000	25,116,250.00	5,898.44	2.198	2.252
912828F62	U.S. TREASURY BOND	10/31/2019	1.500	1.470	25,000,000.00	25,028,320.31	100.242000	25,060,500.00	32,179.69	2.592	2.671
912828G20	U.S. TREASURY BOND	11/15/2017	.875	.846	25,000,000.00	25,006,835.94	100.063000	25,015,750.00	8,914.06	.709	.712
912828G20	U.S. TREASURY BOND	11/15/2017	.875	.855	25,000,000.00	25,004,882.81	100.063000	25,015,750.00	10,867.19	.709	.712
912828U40	U.S. TREASURY BOND	11/30/2018	1.000	1.115	25,000,000.00	24,943,359.38	99.738000	24,934,500.00	-8,859.38	1.725	1.753
912828M72	U.S. TREASURY BOND	11/30/2017	.875	.851	20,000,000.00	20,004,687.50	100.039000	20,007,800.00	3,112.50	.745	.753
912828UA6	U.S. TREASURY BOND	11/30/2017	.625	.868	25,000,000.00	24,940,429.69	99.859000	24,964,750.00	24,320.31	.745	.753
912828UA6	U.S. TREASURY BOND	11/30/2017	.625	.919	25,000,000.00	24,929,687.50	99.859000	24,964,750.00	35,062.50	.745	.753
912828TS9	U.S. TREASURY BOND	09/30/2017	.625	.792	25,000,000.00	24,968,750.00	99.930000	24,982,500.00	13,750.00	.579	.586
912828UJ7	U.S. TREASURY BOND	01/31/2018	.875	.883	25,000,000.00	24,998,046.88	99.965000	24,991,250.00	-6,796.88	.910	.923
912828H37	U.S. TREASURY BOND	01/15/2018	.875	.883	25,000,000.00	24,998,046.88	99.992000	24,998,000.00	-46.88	.875	.879
			.915	.962	345,000,000.00	344,918,164.08	100.018899	345,065,200.00	147,035.92	1.028	1.045
FHLMC DISC NOTES											
313397FU0	FHLMC DISC NOTE	05/19/2017	.480	.481	50,000,000.00	49,848,666.67	99.882000	49,941,000.00	92,333.33	.218	.219
313397FQ9	FHLMC DISC NOTE	05/15/2017	.490	.491	50,000,000.00	49,859,805.56	99.888000	49,944,000.00	84,194.44	.207	.208
313397DHI1	FHLMC DISC NOTE	03/21/2017	.420	.421	25,000,000.00	24,959,166.67	99.978000	24,994,500.00	35,333.33	.057	.058
313397DHI1	FHLMC DISC NOTE	03/21/2017	.420	.421	25,000,000.00	24,959,166.67	99.978000	24,994,500.00	35,333.33	.057	.058
313397FI3	FHLMC DISC NOTE	05/18/2017	.520	.516	25,000,000.00	24,930,260.42	99.883000	24,970,750.00	40,489.58	.215	.216
			.471	.472	175,000,000.00	174,557,065.99	99.911286	174,844,750.00	287,684.01	.168	.169
FHLMC BONDS											
3134G7AE1	FHLMC 3YrNc1.5YrE	06/22/2018	1.200	1.230	15,000,000.00	14,986,800.00	99.840000	14,976,000.00	-10,800.00	1.300	1.312
3134G66M0	FHLMC 3YrNc6MoE	06/22/2018	1.250	1.259	25,000,000.00	24,993,750.00	100.301000	25,075,250.00	81,500.00	1.299	1.312
3134G7V24	FHLMC 2YrNc6MoB	10/27/2017	.750	.750	10,000,000.00	10,000,000.00	99.989000	9,998,900.00	-1,100.00	.660	.660
3134G7217	FHLMC 3YrNc6MoB	10/29/2018	1.050	1.050	5,000,000.00	5,000,000.00	99.648000	4,982,400.00	-17,600.00	1.645	1.666
3134G7217	FHLMC 3YrNc6MoB	10/29/2018	1.050	1.050	10,000,000.00	10,000,000.00	99.648000	9,964,800.00	-35,200.00	1.645	1.666
3134G73L3	FHLMC 2YrNc6MoE	11/16/2017	.750	.750	15,000,000.00	15,000,000.00	100.039000	15,005,850.00	5,850.00	.712	.715
3134G7577	FHLMC 5YrNc6MoB	10/29/2020	1.125	1.125	15,000,000.00	15,000,000.00	99.501000	14,925,150.00	-74,850.00	3.572	3.668
3137EADX4	FHLMC 2Yr	12/15/2017	1.000	1.052	20,000,000.00	19,979,400.00	100.102000	20,020,400.00	41,000.00	.791	.795
3134G8LG2	FHLMC 13MoNc6MoE	03/09/2017	.750	.750	10,000,000.00	10,000,000.00	100.009000	10,000,900.00	900.00	.025	.025
3134G8LG2	FHLMC 13MoNc6MoE	03/09/2017	.750	.750	10,000,000.00	10,000,000.00	100.009000	10,000,900.00	900.00	.025	.025
3134G8L49	FHLMC 1.5YrNc3MoB	08/25/2017	.800	.800	5,000,000.00	5,000,000.00	100.008000	5,000,400.00	400.00	.485	.488
3134G8KU2	FHLMC 5YrNc6MoB	02/26/2021	1.250	1.250	10,000,000.00	10,000,000.00	99.471000	9,947,100.00	-52,900.00	3.884	3.997
3134G8L31	FHLMC 5YrNc6MoB	02/26/2021	1.250	1.250	10,000,000.00	10,000,000.00	99.147000	9,914,700.00	-85,300.00	3.884	3.997
3134G8L64	FHLMC 2.5YrNc1YrE	08/24/2018	1.000	1.000	5,000,000.00	5,000,000.00	99.558000	4,977,900.00	-22,100.00	1.474	1.485
3134G8QE2	FHLMC 3YrNc1YrE	03/29/2019	1.300	1.300	9,000,000.00	9,000,000.00	99.978000	8,998,020.00	-1,980.00	2.041	2.079
3134G8QB8	FHLMC 3YrNc1YrE	03/29/2019	1.270	1.270	4,000,000.00	4,000,000.00	99.663000	3,986,520.00	-13,480.00	2.042	2.079
3134G8TG4	FHLMC 3.5YrNc6MoE	10/11/2019	1.500	1.500	15,000,000.00	15,000,000.00	99.531000	14,929,650.00	-70,350.00	2.545	2.616
3134G8V97	FHLMC 2.25YrNc6MoB	06/29/2018	1.125	1.125	5,850,000.00	5,850,000.00	99.712000	5,833,152.00	-16,848.00	1.320	1.332
3134G8WC9	FHLMC 1.5YrNc6MoB	10/13/2017	.850	.850	15,000,000.00	15,000,0					

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Maturity	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
3134GADP6	FHLMC 5YrNc3MoB	09/13/2021	1.500	1.500	16,500,000.00	16,500,000.00	98.530000	16,257,450.00	-242,550.00	4.345	4.542
3134GAE17	FHLMC 5YrNc3MoB	09/30/2021	1.500	1.500	20,000,000.00	20,000,000.00	99.060000	19,801,200.00	-198,800.00	4.386	4.589
3134GAKY9	FHLMC 5YrNc6MoB	09/30/2021	1.450	1.450	15,000,000.00	15,000,000.00	98.174000	14,726,100.00	-273,900.00	4.393	4.589
3134GANB6	FHLMC 5YrNc6MoB	09/30/2021	1.350	1.350	15,000,000.00	15,000,000.00	97.921000	14,688,150.00	-311,850.00	4.405	4.589
3134GAPM0	FHLMC 5YrNc3MoB	10/25/2021	1.375	1.375	10,000,000.00	10,000,000.00	97.835000	9,783,500.00	-216,500.00	4.477	4.658
3134GAPM0	FHLMC 5YrNc3MoB	10/25/2021	1.375	1.375	6,705,000.00	6,705,000.00	97.835000	6,559,836.75	-145,163.25	4.477	4.658
3134GAPA6	FHLMC 5YrNc3MoB	10/27/2020	1.250	1.250	10,000,000.00	10,000,000.00	98.619000	9,861,900.00	-138,100.00	3.556	3.663
3134GAQV9	FHLMC 5YrNc6MoB	10/27/2021	1.400	1.400	15,000,000.00	15,000,000.00	97.452000	14,617,800.00	-382,200.00	4.479	4.663
3134GAQV9	FHLMC 5YrNc6MoB	10/27/2021	1.400	1.400	15,000,000.00	15,000,000.00	97.452000	14,617,800.00	-382,200.00	4.479	4.663
3134G9WU7	FHLMC 1.5YrNc6MoB	12/28/2017	.800	.808	25,000,000.00	24,997,500.00	99.917000	24,979,250.00	-18,250.00	.828	.830
3134G9WU7	FHLMC 1.5YrNc6MoB	12/28/2017	.800	.817	14,595,000.00	14,592,081.00	99.917000	14,582,886.15	-9,194.85	.828	.830
3134GARL0	FHLMC 5YrNc6MoB	10/28/2021	1.250	1.250	10,000,000.00	10,000,000.00	99.125000	9,912,500.00	-87,500.00	4.501	4.666
3134GASF2	FHLMC 5YrNc3MoB	10/27/2021	1.500	1.500	15,000,000.00	15,000,000.00	97.778000	14,666,700.00	-333,300.00	4.466	4.663
3134GASF2	FHLMC 5YrNc3MoB	10/27/2021	1.500	1.500	15,000,000.00	15,000,000.00	97.778000	14,666,700.00	-333,300.00	4.466	4.663
3134GATA2	FHLMC 5YrNc3MoB	10/27/2021	1.400	1.400	10,000,000.00	10,000,000.00	97.556000	9,755,600.00	-244,400.00	4.479	4.663
3134GATB0	FHLMC 5YrNc3MoB	11/10/2021	1.550	1.550	17,000,000.00	17,000,000.00	97.997000	16,659,490.00	-340,510.00	4.496	4.701
3134GATA2	FHLMC 5YrNc3MoB	10/27/2021	1.400	1.400	14,000,000.00	14,000,000.00	97.556000	13,657,840.00	-342,160.00	4.479	4.663
3134GAUA0	FHLMC 5YrNc3MoB	11/30/2021	1.500	1.500	4,500,000.00	4,500,000.00	98.450000	4,430,250.00	-69,750.00	4.552	4.756
3134GAVF8	FHLMC 3.5YrNc1YrE	05/08/2020	1.200	1.200	15,000,000.00	15,000,000.00	98.368000	14,755,200.00	-244,800.00	3.114	3.192
3134GAXZ2	FHLMC 4YrNc6moE	11/25/2020	1.370	1.370	25,000,000.00	25,000,000.00	98.634000	24,658,500.00	-341,500.00	3.623	3.742
3134GAYK4	FHLMC 4YrNc1YrE	11/30/2020	1.440	1.440	10,000,000.00	10,000,000.00	98.812000	9,881,200.00	-118,800.00	3.625	3.756
3134GAYF5	FHLMC 5YrNc3MoB	11/26/2021	1.550	1.550	20,000,000.00	20,000,000.00	97.950000	19,590,000.00	-410,000.00	4.540	4.745
3134GAYG3	FHLMC 5YrNc3MoB	12/09/2021	1.500	1.500	10,000,000.00	10,000,000.00	99.065000	9,906,500.00	-93,500.00	4.582	4.781
3134GAYR9	FHLMC 5YrNc3MoB	12/09/2021	1.650	1.650	20,000,000.00	20,000,000.00	99.712000	19,942,400.00	-57,600.00	4.563	4.781
3134GAZP2	FHLMC 5YrNc3MoB	12/14/2021	1.850	1.850	20,000,000.00	20,000,000.00	99.673000	19,934,600.00	-65,400.00	4.551	4.795
3134GAA53	FHLMC 5YrNc3MoB	12/16/2021	1.750	1.750	10,000,000.00	10,000,000.00	99.627000	9,962,700.00	-37,300.00	4.569	4.800
3134GAA87	FHLMC 5YrNc3MoB	12/30/2021	1.900	1.900	10,000,000.00	10,000,000.00	99.890000	9,989,000.00	-11,000.00	4.583	4.838
3134GAA87	FHLMC 5YrNc3MoB	12/30/2021	1.900	1.900	10,000,000.00	10,000,000.00	99.890000	9,989,000.00	-11,000.00	4.583	4.838
3137EADJ5	FHLMC 7Mo	07/28/2017	1.000	.710	25,000,000.00	25,046,750.00	100.124000	25,031,000.00	-15,750.00	.409	.411
3134GAK45	FHLMC 5YrNc3MoB	01/27/2022	2.200	2.200	20,000,000.00	20,000,000.00	100.003000	20,000,600.00	600.00	4.625	4.915
3134GAP57	FHLMC 2YrNc1MoB	10/24/2019	.875	.940	15,000,000.00	14,973,750.00	99.661000	14,949,150.00	-24,600.00	2.615	2.652
3134GAF41	FHLMC 5YrNc3MoB	01/20/2022	2.125	2.125	10,000,000.00	10,000,000.00	100.003000	10,000,300.00	300.00	4.615	4.896
3134GAZ49	FHLMC 3YrNc6MoB	02/24/2020	1.250	1.250	20,000,000.00	20,000,000.00	99.950000	19,990,000.00	-10,000.00	2.924	2.989
3134GA2N3	FHLMC 3YrNc6MoB	02/10/2020	1.500	1.500	15,000,000.00	15,000,000.00	99.897000	14,984,550.00	-15,450.00	2.873	2.951
3134GA2N3	FHLMC 3YrNc6MoB	02/10/2020	1.500	1.500	9,025,000.00	9,025,000.00	99.897000	9,015,704.25	-9,295.75	2.873	2.951
3134GA7E8	FHLMC 3YrNc6MoB	08/28/2020	1.650	1.650	20,000,000.00	20,000,000.00	99.898000	19,979,600.00	-20,400.00	3.387	3.499
FNMA BONDS			1.292	1.287	1,126,175,000.00	1,126,147,031.00	99.076675	1,115,776,749.15	-10,370,281.85	3.096	3.206
3136G2YT8	FNMA 5YrNc6MoB	02/26/2021	1.500	1.500	15,000,000.00	15,000,000.00	99.616000	14,942,400.00	-57,600.00	3.887	3.997
3136G2ZB6	FNMA 4YrNc6MoB	03/09/2020	1.000	1.000	10,000,000.00	10,000,000.00	99.878000	9,987,800.00	-12,200.00	2.964	3.027
3136G3BX2	FNMA 4YrNc6MoB	03/09/2020	1.300	1.300	15,000,000.00	15,000,000.00	99.532000	14,929,800.00	-70,200.00	2.944	3.027
3136G3EH4	FNMA 4YrNc6MoB	03/30/2020	1.250	1.250	10,000,000.00	10,000,000.00	99.728000	9,972,800.00	-27,200.00	3.006	3.085
3136G3EE1	FNMA 3YrNc6MoB	03/29/2019	1.000	1.000	20,000,000.00	20,000,000.00	99.987000	19,997,400.00	-2,600.00	2.051	2.079
3136G3DV4	FNMA 5YrNc6MoB	03/30/2021	1.375	1.375	15,000,000.00	15,000,000.00	98.528000	14,779,200.00	-220,800.00	3.941	4.085
3136G3PB5	FNMA 5YrNc6MoB	06/09/2021	1.550	1.550	15,000,000.00	15,000,000.00	98.706000	14,805,900.00	-194,100.00	4.113	4.279
3136G3RL1	FNMA 3.5YrNc6MoB	12/16/2019	1.500	1.500	5,000,000.00	5,000,000.00	99.128000	4,956,400.00	-43,600.00	2.724	2.797
3136G3SG1	FNMA 4.25YrNc6MoB	09/09/2020	1.400	1.400	15,000,000.00	15,000,000.00	98.381000	14,757,150.00	-242,850.00	3.428	3.532
3136G3TG0	FNMA 4YrNc6MoB	06/30/2020	1.150	1.150	20,000,000.00	20,000,000.00	98.526000	19,705,200.00	-294,800.00	3.255	3.337
3136G3WC5	FNMA 4YrNc6MoE	07/13/2020	1.350	1.350	10,000,000.00	10,000,000.00	97.701000	9,770,100.00	-229,900.00	3.283	3.373
3136G3SY2	FNMA 3.25YrNc6MoB	09/30/2019	1.250	1.250	7,500,000.00	7,500,000.00	99.031000	7,427,325.00	-72,675.00	2.521	2.586
3136G3XE0	FNMA 2YrNc6MoE	07/27/2018	.800	.800	15,000,000.00	15,000,000.00	99.350000	14,902,500.00	-97,500.00	1.402	1.408
3136G3X17	FNMA 5YrNc6MoB	07/27/2021	1.250	1.250	15,000,000.00	15,000,000.00	97.488000	14,623,200.00	-376,800.00	4.277	4.411
3135G0M26	FNMA 3YrNc6MoE	07/26/2019	1.000	1.000	10,000,000.00	10,000,000.00	98.591000	9,859,100.00	-140,900.00	2.374	2.405
3135G0M26	FNMA 3YrNc6MoE	07/26/2019	1.000	1.000	10,000,000.00	10,000,000.00	98.591000	9,859,100.00	-140,900.00	2.374	2.405
3136G3XS9	FNMA 2.5YrNc6MoE	01/25/2019	.875	.900	7,500,000.00	7,495,350.00	98.968000	7,422,600.00	-72,750.00	1.887	1.907
3136G3ZW8	FNMA 5YrNc6MoB	07/27/2021	1.250	1.250	20,000,000.00	20,000,000.00	97.406000	19,481,200.00	-518,800.00	4.277	4.411
3136G3A62	FNMA 3YrNc1YrE	07/26/2019	1.050	1.050	15,000,000.00	15,000,000.00	98.708000	14,806,200.00	-193,800.00	2.373	2.405
3136G3P25	FNMA 3.5YrNc1YrE	07/26/2019	1.125	1.125	25,000,000.00	25,000,000.00	98.879000	24,719,750.00	-280,250.00	2.370	2.405
3136G3Y74	FNMA 4YrNc6MoB	11/24/2020	1.125	1.125	15,000,000.00	15,000,000.00	97.846000	14,676,900.00	-323,100.00	3.641	3.740
3135G0R39	FNMA 3Yr	10/24/2019	1.000	1.091	10,000,000.00	9,973,200.00	98.682000	9,868,200.00	-105,000.00	2.604	2.652
3136G4GU1	FNMA 3YrNc6MoB	11/25/2019	1.400	1.400	10,000,000.00	10,000,000.00	99.561000	9,956,100.00	-43,900.00	2.671	2.740
FHLB DISC NOTES			1.193	1.196	310,000,000.00	309,968,550.00	98.776234	306,206,325.00	-3,762,225.00	3.030	3.107
313385HM1	FHLB DISC NOTE	06/29/2017	.550	.553	25,000,000.00	24,860,972.22	99.820000	24,955,000.00	94,027.78	.329	.332
313385GX8	FHLB DISC NOTE	06/15/2017	.550	.553	25,000,000.00	24,868,611.11	99.843944	24,960,986.11	92,375.00	.291	.293
313385PF7	FHLB DISC NOTE	11/14/2017	.810	.807	10,000,000.00	9,919,111.11	99.462500	9,946,250.00	27,138.89	.703	.710
313385HL3	FHLB DISC NOTE	06/28/2017	.630	.632	50,000,000.00	49,814,500.00	99.824806	49,912,402.78	97,902.78	.326	.329
313385GP5	FHLB DISC NOTE	06/07/2017	.620	.627	25,000,000.00	24,921,006.94	99.855722	24,963,930.56	42,923.62	.269	.271
313385GW0	FHLB DISC NOTE	06/14/2017	.670	.672	50,000,000.00	49,830,638.89	99.845417	49,922,708.33	92,069.44	.288	.290
313385GW0	FHLB DISC NOTE	06/14/2017	.670	.672	6,000,000.00	5,979,676.67	99.845417	5,990,725.00	11,048.33	.288	.290
313385KK1	FHLB DISC NOTE	08/14/2017	.800	.804	50,000,000.00	49,735,555.56	99.732556	49,866,277.78	130,722.22	.454	.458
313385HD1	FHLB DISC NOTE	06/21/2017	.660	.662	2,000,000.00	1,993,326.67	99.835111	1,996,770.22	3,375.55	.307	.310
313385HD1	FHLB DISC NOTE	06/21/2017	.660	.662	1,000,000.00	996,663.33	99.835111	998,351.11	1,687.78	.307	.310
313385HD1	FHLB DISC NOTE	06/21/2017	.660	.662	1,000,000.00	996,663.33	99.835111	998,351.11	1,687.78	.307	.310
313385HD1	FHLB DISC NOTE	06/21/2017	.660	.662	1,000,000.00	996,663.33	99.835111	998,351.11	1,687.78	.307	.310
313385											

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Maturity	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
3130A8Y72	FHLB 3Yr	08/05/2019	.875	.940	15,000,000.00	14,971,200.00	98.651000	14,797,650.00	-173,550.00	2.403	2.433
3130A9AE1	FHLB 2Yr	10/01/2018	.875	.908	10,000,000.00	9,993,200.00	99.524000	9,952,400.00	-40,800.00	1.571	1.589
3130A9DH1	FHLB 5YrNc3MoB	09/30/2021	1.350	1.350	15,000,000.00	15,000,000.00	98.284000	14,742,600.00	-257,400.00	4.405	4.589
3130A9DA6	FHLB 5YrNc3MoB	09/30/2021	1.350	1.350	15,000,000.00	15,000,000.00	98.243000	14,736,450.00	-263,550.00	4.405	4.589
3130A9FU0	FHLB 4Yr	09/22/2020	.929	.929	10,000,000.00	10,000,000.00	99.895000	9,989,500.00	-10,500.00	3.521	3.567
3130A9FM8	FHLB 4Yr	09/22/2020	.929	.929	15,000,000.00	15,000,000.00	99.895000	14,984,250.00	-15,750.00	3.521	3.567
3130A9FR7	FHLB 4Yr	09/28/2020	.931	.931	10,000,000.00	10,000,000.00	99.895000	9,989,500.00	-10,500.00	3.539	3.584
3130A9FR7	FHLB 4Yr	09/28/2020	.931	.931	15,000,000.00	15,000,000.00	99.895000	14,984,250.00	-15,750.00	3.539	3.584
3130AA2T4	FHLB 5YrNc6MoB	12/09/2021	1.600	1.600	10,000,000.00	10,000,000.00	98.294000	9,829,400.00	-170,600.00	4.569	4.781
3130AA2T4	FHLB 5YrNc6MoB	12/09/2021	1.600	1.600	10,000,000.00	10,000,000.00	98.294000	9,829,400.00	-170,600.00	4.569	4.781
3130AA5A2	FHLB 5YrNc1YrB	12/08/2021	1.700	1.700	15,000,000.00	15,000,000.00	99.386000	14,907,900.00	-92,100.00	4.554	4.778
3130AA4U9	FHLB 1Yr	11/17/2017	.750	.871	25,000,000.00	24,971,000.00	99.990000	24,997,500.00	26,500.00	.714	.718
313381B20	FHLB 5Yr	12/08/2017	.750	.910	6,100,000.00	6,090,086.65	99.890000	6,093,290.00	3,203.35	.772	.775
3130AACK2	FHLB 5YrNc3MoB	12/30/2021	2.000	2.000	20,000,000.00	20,000,000.00	99.910000	19,982,000.00	-18,000.00	4.571	4.838
3130AADH8	FHLB 5YrNc3MoB	12/30/2021	2.050	2.050	20,000,000.00	20,000,000.00	99.763000	19,952,600.00	-47,400.00	4.564	4.838
3130AAE20	FHLB 5YrNc3MoB	12/30/2021	2.000	2.000	15,000,000.00	15,000,000.00	99.851000	14,977,650.00	-22,350.00	4.571	4.838
3130AAF78	FHLB 5YrNc6MoB	12/30/2021	2.050	2.050	15,000,000.00	15,000,000.00	99.319000	14,897,850.00	-102,150.00	4.564	4.838
313379FW4	FHLB 6Mo	06/09/2017	1.000	.708	10,000,000.00	10,014,141.00	100.104000	10,010,400.00	-3,741.00	.276	.277
3130AAGD4	FHLB 5YrNc6MoB	12/30/2021	2.000	2.000	20,000,000.00	20,000,000.00	100.003000	20,000,600.00	600.00	4.571	4.838
3130ASUH4	FHLB 3YrNcMoB	08/15/2019	1.000	1.000	25,000,000.00	25,000,000.00	99.711000	24,927,750.00	-72,250.00	2.437	2.460
3130AAUT3	FHLB 1Yr	02/23/2018	.875	.920	21,540,000.00	21,530,307.00	99.926000	21,524,060.40	-6,246.60	.979	.986
FCB DISC NOTES			1.137	1.142	525,859,720.08	525,758,454.73	99.623053	523,877,506.37	-1,880,948.36	2.484	2.569
313313HM3	FFCB DISC NOTE	06/29/2017	.570	.573	25,000,000.00	24,856,312.50	99.817000	24,954,250.00	97,937.50	.329	.332
313313GB8	FFCB DISC NOTE	05/26/2017	.530	.533	25,000,000.00	24,880,750.00	99.871000	24,967,750.00	87,000.00	.237	.238
313313HB7	FFCB DISC NOTE	06/19/2017	.600	.603	25,000,000.00	24,872,916.67	99.832000	24,958,000.00	85,083.33	.302	.304
313313HV3	FFCB DISC NOTE	07/07/2017	.610	.613	25,000,000.00	24,866,562.50	99.797000	24,949,250.00	82,687.50	.351	.353
FCB BONDS			.578	.581	100,000,000.00	99,476,541.67	99.829250	99,829,250.00	352,708.33	.305	.307
3133EDXQ0	FFCB 5Yr	10/10/2019	.842	.842	15,000,000.00	15,000,000.00	100.127000	15,019,050.00	19,050.00	2.607	2.614
3133EDXQ0	FFCB 5Yr	10/10/2019	.842	.842	25,000,000.00	25,000,000.00	100.127000	25,031,750.00	31,750.00	2.607	2.614
3133EDXQ0	FFCB 5Yr	10/10/2019	.842	.851	10,000,000.00	9,997,560.00	100.127000	10,012,700.00	15,140.00	2.607	2.614
3133EEZR4	FFCB 2Yr	04/21/2017	.600	.600	10,000,000.00	10,000,000.00	100.012000	10,001,200.00	1,200.00	.142	.142
3133EEJ43	FFCB 2Yr	05/08/2017	.650	.680	15,000,000.00	14,991,000.00	100.004000	15,000,600.00	9,600.00	.188	.189
3133EFHH3	FFCB 3YrNc3MoA	10/15/2018	1.110	1.110	5,000,000.00	5,000,000.00	99.505000	4,975,250.00	-24,750.00	1.605	1.627
3133EFEM5	FFCB 2Yr	09/25/2017	.900	.650	25,250,000.00	25,371,578.75	100.123000	25,281,057.50	-90,521.25	.571	.573
3133EEN48	FFCB 2Yr	05/22/2017	.625	.547	15,650,000.00	15,669,343.40	99.999000	15,649,843.50	-19,499.90	.227	.227
3133EFKR7	FFCB 1.5 Yr	04/21/2017	.500	.533	25,000,000.00	24,987,765.25	99.994000	24,998,500.00	10,734.75	.142	.142
3133EFLM7	FFCB 1.5Yr	03/27/2017	.520	.520	10,000,000.00	10,000,000.00	100.009000	10,000,900.00	900.00	.074	.074
3133EFNK9	FFCB 2Yr	02/09/2018	.853	.853	15,000,000.00	15,000,000.00	100.248000	15,037,200.00	37,200.00	.945	.948
3133EFNK9	FFCB 2Yr	02/09/2018	.853	.853	20,000,000.00	20,000,000.00	100.248000	20,049,600.00	49,600.00	.945	.948
3133EFQJ9	FFCB 3Yr	11/23/2018	.896	.863	10,000,000.00	10,006,056.38	100.378000	10,037,800.00	31,743.62	1.730	1.734
3133EFE52	FFCB 3Yr	02/25/2019	1.048	1.048	15,000,000.00	15,000,000.00	100.590000	15,088,500.00	88,500.00	1.976	1.992
3133EFE52	FFCB 3Yr	02/25/2019	1.048	1.048	5,000,000.00	5,000,000.00	100.590000	5,029,500.00	29,500.00	1.976	1.992
3133EFM61	FFCB 2.5Yr	09/17/2018	.992	.992	5,000,000.00	5,000,000.00	100.527000	5,026,350.00	26,350.00	1.544	1.551
3133EFP84	FFCB 3 Yr	04/04/2019	.977	.977	25,000,000.00	25,000,000.00	100.486000	25,121,500.00	121,500.00	2.083	2.096
3133EFT56	FFCB 4Yr	04/01/2020	1.015	1.015	25,000,000.00	25,000,000.00	100.431000	25,107,750.00	107,750.00	3.055	3.090
3133EFV38	FFCB 3YrNc1YrA	03/29/2019	1.250	1.250	10,310,000.00	10,310,000.00	99.722000	10,281,338.20	-28,661.80	2.042	2.079
3133EFZ29	FFCB 4Yr	04/13/2020	1.016	1.016	50,000,000.00	50,000,000.00	100.444000	50,222,000.00	222,000.00	3.088	3.123
3133EF5D5	FFCB 4YrNc1YrA	04/27/2020	1.420	1.420	7,700,000.00	7,700,000.00	98.917000	7,616,609.00	-83,391.00	3.069	3.162
3133EGCE3	FFCB 5Yr	05/25/2021	1.048	1.048	10,000,000.00	10,000,000.00	99.955000	9,995,500.00	-4,500.00	4.175	4.238
3133EGCE3	FFCB 5Yr	05/25/2021	1.048	1.048	10,000,000.00	10,000,000.00	99.955000	9,995,500.00	-4,500.00	4.175	4.238
3133EGLV5	FFCB 3Yr	07/15/2019	.960	.960	5,000,000.00	5,000,000.00	100.474000	5,023,700.00	23,700.00	2.360	2.375
3133EGNY7	FFCB 2.5YrNc3MoA	01/28/2019	1.110	1.110	25,000,000.00	25,000,000.00	99.616000	24,904,000.00	-96,000.00	1.890	1.915
3133EGSA4	FFCB 4YrNc1YrA	08/24/2020	1.320	1.320	10,000,000.00	10,000,000.00	98.171000	9,817,100.00	-182,900.00	3.398	3.488
3133EGVM4	FFCB 1.25Yr	12/22/2017	.700	.765	15,000,000.00	14,988,000.00	99.918000	14,987,700.00	-300.00	.812	.814
3133EGVK8	FFCB 4YrNc1YrA	09/21/2020	1.350	1.350	10,000,000.00	10,000,000.00	98.537000	9,853,700.00	-146,300.00	3.448	3.564
3133EGYA7	FFCB 1Mo	10/11/2019	.951	.951	15,000,000.00	15,000,000.00	100.409000	15,061,350.00	61,350.00	2.593	2.616
3133EGXX8	FFCB 4YrNc1YrA	10/13/2020	1.340	1.340	15,000,000.00	15,000,000.00	97.702000	14,655,300.00	-344,700.00	3.510	3.625
3133EGZ57	FFCB 3Yr	10/24/2019	.959	.959	15,000,000.00	15,000,000.00	100.396000	15,059,400.00	59,400.00	2.629	2.652
3133EGC94	FFCB 4YrNc3MoA	11/02/2020	1.380	1.380	10,000,000.00	10,000,000.00	97.531000	9,753,100.00	-246,900.00	3.559	3.679
3133EGF67	FFCB 3Yr	11/14/2019	.941	.941	15,000,000.00	15,000,000.00	100.218000	15,032,700.00	32,700.00	2.683	2.710
3133EGF67	FFCB 3Yr	11/14/2019	.941	.941	15,000,000.00	15,000,000.00	100.218000	15,032,700.00	32,700.00	2.683	2.710
3133EGR49	FFCB 4YrNc1YrA	12/07/2020	1.770	1.770	10,000,000.00	99,449,900.00	99.449000	9,944,900.00	-55,100.00	3.622	3.775
3133EHAJ2	FFCB 3YrNc1YrE	02/27/2020	1.710	1.710	10,000,000.00	10,000,000.00	99.967000	9,996,700.00	-3,300.00	2.909	2.997
FMAC DISC NOTES			.972	.961	533,910,000.00	534,021,303.78	99.961107	533,702,348.20	-318,955.58	2.106	2.136
31315LHF8	FAMCA DISC NOTE	06/23/2017	.660	.662	25,000,000.00	24,906,958.33	99.826000	24,956,500.00	49,541.67	.313	.315
31315LGX0	FAMCA DISC NOTE	06/15/2017	.690	.692	50,000,000.00	49,824,625.00	99.838000	49,919,000.00	94,375.00	.291	.293
FARMER MAC			.680	.682	75,000,000.00	74,731,583.33	99.834000	74,875,500.00	143,916.67	.298	.300
31315P2K4	FAMCA 3Yr	09/05/2017	1.120	1.120	8,850,000.00	8,850,000.00	100.223000	8,869,735.50	19,735.50	.514	.518
3132X0ED9	FAMCA 3Yr	03/19/2019	1.063	1.063	10,000,000.00	10,000,000.00	100.650000	10,065,000.00	65,000.00	2.040	2.052
3132X0EV9	FAMCA 3Yr	07/26/2019	1.172	1.172	15,000,000.00	15,000,000.00	100.832000	15,124,800.00	124,800.00	2.382	2.405
3132X0LX7	FAMCA 1Yr	12/22/2017	.787	.787	25,000,000.00	25,000,000.00	100.113000	25,028,250.00	28,250.00	.814	.814
3132X0MC2	FAMCA 1Yr	12/27/2017	.945	.945	25,000,000.00	25,000,000.00	100.117000	25,029,250.00	29,250.00	.824	.827
MUNI ZERO CPNS			.971	.971	83,850,000.00	83,850,000.00	100.318468	84,117,035.50	267,035.50	1.214	1.221
91411SQL7	UC REGENTS	03/20/2017	.750	.751	25,000,000.00	24,970,833.33	99.960417	24,990,104.17	19,270.84	.054	.055
91411SRD4	UC Regents	04/13/2017	.730	.731	25,000,000.00	24,967,555.56	99.912806	24,978,201.39	10,645.83	.120	.121
91411SS27	UC Regents	05/02/2017	.780	.781							

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Maturity	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
3733845L6	GEORGIA STATE	07/01/2020	3.000	1.370	6,825,000.00	7,254,770.25	106.297000	7,254,770.25	0.00	3.175	3.340
3733845J1	GEORGIA STATE	07/01/2018	3.000	.930	6,345,000.00	6,602,480.10	104.058000	6,602,480.10	0.00	1.314	1.337
3733845K8	GEORGIA STATE	07/01/2019	3.000	1.110	6,580,000.00	6,943,874.00	105.530000	6,943,874.00	0.00	2.259	2.337
041042ZS4	ARKANSAS STATE	06/01/2018	2.250	.840	12,810,000.00	13,139,473.20	102.572000	13,139,473.20	0.00	1.240	1.255
041042ZT2	ARKANSAS STATE	06/01/2019	2.000	1.024	13,470,000.00	13,837,192.20	102.726000	13,837,192.20	0.00	2.205	2.255
041042ZR6	ARKANSAS STATE	06/01/2017	2.000	.572	2,015,000.00	2,039,139.70	101.198000	2,039,139.70	0.00	.254	.255
419792ND4	HAWAII STATE	10/01/2018	1.000	.911	4,870,000.00	4,878,473.80	100.174000	4,878,473.80	0.00	1.570	1.589
419792NE2	HAWAII STATE	10/01/2019	1.151	1.101	2,250,000.00	2,253,262.50	100.145000	2,253,262.50	0.00	2.536	2.589
419792NF9	HAWAII STATE	10/01/2020	1.370	1.319	2,250,000.00	2,254,320.00	100.192000	2,254,320.00	0.00	3.476	3.592
13063CFC9	CALIFORNIA STATE	11/01/2017	1.750	.820	9,480,000.00	9,569,301.60	100.942000	9,569,301.60	0.00	.668	.674
13063C4U1	CALLIFORNIA STATE	11/01/2017	.850	.800	75,000,000.00	75,036,750.00	100.049000	75,036,750.00	0.00	.670	.674
13063C4V9	CALIFORNIA STATE	11/01/2018	1.050	.950	50,000,000.00	50,098,500.00	100.197000	50,098,500.00	0.00	1.652	1.674
4197915F1	HAWAII STATE	08/01/2017	1.231	.771	22,165,000.00	22,241,025.95	100.343000	22,241,025.95	0.00	.420	.422
68609BXK8	OREGON STATE	05/01/2019	1.450	1.450	1,830,000.00	1,829,981.70	99.999000	1,829,981.70	0.00	2.124	2.170
68609BYC5	OREGON STATE	04/01/2019	1.440	1.441	1,750,000.00	1,749,982.50	99.999000	1,749,982.50	0.00	2.041	2.088
68609BYB7	OREGON STATE	04/01/2018	1.020	1.021	1,735,000.00	1,734,982.65	99.999000	1,734,982.65	0.00	1.079	1.088
68609BXJ1	OREGON STATE	05/01/2018	1.030	1.030	1,560,000.00	1,559,984.40	99.999000	1,559,984.40	0.00	1.161	1.170
			1.353	.978	376,035,000.00	378,921,917.05	100.767726	378,921,917.05	0.00	1.167	1.187
COMM PAPER											
64105GSC9	NESTLE	05/12/2017	.750	.754	50,000,000.00	49,736,458.33	99.852000	49,926,000.00	189,541.67	.198	.200
64105GSB1	NESTLE	05/11/2017	.790	.794	30,000,000.00	29,843,316.67	99.854056	29,956,216.67	112,900.00	.196	.197
64105GSA3	NESTLE	05/10/2017	.740	.743	45,000,000.00	44,805,750.00	99.856111	44,935,250.00	129,500.00	.193	.195
89233GQP4	TOYOTA MOTOR CORP	03/23/2017	.870	.873	50,000,000.00	49,855,000.00	99.957833	49,978,916.67	123,916.67	.062	.063
89233GRC2	TOYOTA MOTOR CORP	04/12/2017	.910	.913	25,000,000.00	24,924,166.67	99.919500	24,979,875.00	55,708.33	.117	.118
03785DRD0	APPLE	04/13/2017	.800	.802	50,000,000.00	49,866,666.67	99.917583	49,958,791.67	92,125.00	.120	.121
64105GQG2	NESTLE	03/16/2017	.760	.761	50,000,000.00	49,905,000.00	99.971250	49,985,625.00	80,625.00	.043	.044
64105GQL1	NESTLE	03/20/2017	.720	.721	50,000,000.00	49,910,000.00	99.963583	49,981,791.67	71,791.67	.054	.055
36960LQL2	GENERAL ELECTRIC	03/20/2017	.730	.731	50,000,000.00	49,923,958.33	99.963583	49,981,791.67	57,833.34	.054	.055
36960LQX6	GENERAL ELECTRIC	03/31/2017	.780	.781	50,000,000.00	49,906,833.33	99.942500	49,971,250.00	64,416.67	.084	.085
36960LQ65	GENERAL ELECTRIC	03/06/2017	.680	.681	50,000,000.00	49,943,333.33	99.990417	49,995,208.33	51,875.00	.016	.016
89233GRK4	TOYOTA MOTOR CORP	04/19/2017	.950	.963	50,000,000.00	49,868,000.00	99.906083	49,953,041.67	85,041.67	.136	.137
03785DQT6	APPLE	03/27/2017	.780	.781	25,000,000.00	24,959,916.67	99.950167	24,987,541.67	27,625.00	.073	.074
03785DSF4	APPLE	05/15/2017	.880	.883	50,000,000.00	49,850,888.89	99.845833	49,922,916.67	72,027.78	.206	.208
19121ASB8	COCA-COLA CO	05/11/2017	.850	.852	25,000,000.00	24,934,479.17	99.854056	24,963,513.89	29,034.72	.195	.197
03785DR40	APPLE	04/04/2017	.800	.801	50,000,000.00	49,917,777.78	99.934833	49,967,416.67	49,638.89	.095	.096
19121ASC6	COCA-COLA CO	05/12/2017	.850	.852	50,000,000.00	49,871,319.44	99.852000	49,926,000.00	54,680.56	.198	.200
89116ET29	TORONTO DOMINION	06/02/2017	.910	.913	50,000,000.00	49,849,597.22	99.762333	49,881,166.67	31,569.45	.255	.258
25214P4X8	DEXIA (GUARANTEE)	04/13/2017	.760	.761	60,000,000.00	59,912,600.00	99.917583	59,950,550.00	37,950.00	.120	.121
25214P4Y6	DEXIA (GUARANTEE)	06/02/2017	.940	.943	20,000,000.00	19,937,855.56	99.762333	19,952,466.67	14,611.11	.255	.258
93114EQ18	WAL-MART STORES INC	03/01/2017	.590	.590	50,000,000.00	49,981,152.78	100.000000	50,000,000.00	18,847.22	.003	.003
89116ET78	TORONTO DOMINION	06/07/2017	.900	.903	45,000,000.00	44,865,000.00	99.749556	44,887,300.00	22,300.00	.269	.271
64105GU69	NESTLE	07/06/2017	.770	.772	35,000,000.00	34,888,456.94	99.629583	34,870,354.17	-18,102.77	.348	.351
03785DRS7	APPLE	04/26/2017	.760	.761	35,000,000.00	34,942,366.67	99.892667	34,962,433.33	20,066.66	.155	.156
89116ES87	TORONTO DOMINION	05/08/2017	.800	.802	50,000,000.00	49,902,222.00	99.860222	49,930,111.11	27,889.11	.187	.189
19121ATC5	COCA-COLA CO	06/12/2017	.880	.883	18,000,000.00	17,946,320.00	99.736778	17,952,620.00	6,300.00	.282	.285
89116ERD7	TORONTO DOMINION	04/13/2017	.750	.751	40,000,000.00	39,951,666.67	99.917583	39,967,033.33	15,366.66	.120	.121
89233GUE4	TOYOTA MOTOR CORP	07/14/2017	1.060	1.065	25,000,000.00	24,890,319.44	99.606250	24,901,562.50	11,243.06	.368	.373
89233GUH7	TOYOTA MOTOR CORP	07/17/2017	1.070	1.075	40,000,000.00	39,826,422.22	99.597500	39,839,000.00	12,577.78	.377	.381
93114EQN0	WAL-MART STORES INC	03/22/2017	.600	.600	50,000,000.00	49,978,333.33	99.959750	49,979,875.00	1,541.67	.060	.060
36960LQW8	GENERAL ELECTRIC	03/30/2017	.630	.630	30,000,000.00	29,982,150.00	99.944417	29,983,325.00	1,175.00	.082	.082
			.799	.801	1,298,000,000.00	1,294,877,328.11	99.878963	1,296,428,945.03	1,551,616.92	.147	.149
Total Fund			.915	.896	6,708,524,728.08	6,704,345,453.07	99.756258	6,692,173,247.08	-12,172,205.99	1.225	1.258
Grand Total											
			.915	.896	6,708,524,728.08	6,704,345,453.07	99.756258	6,692,173,247.08	-12,172,205.99	1.225	1.258

Full Compliance

The Treasurer's Pooled Investment Fund was in **FULL COMPLIANCE** with the Treasurer's Statement of Investment Policy. The County's Investment Policy is more restrictive than the California Government Code. This policy is reviewed annually by the County's Investment Oversight Committee and approved by the County Board of Supervisors.



Investment Category	Maximum Maturity	Authorized % Limit	S&P/ Moody's	Maximum Maturity	Authorized % Limit	S&P/ Moody's	Actual %
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	4 YEARS	15%	AA-/Aa3/AA-	7.10%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	9.61%
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	3 YEARS	2.5%	INVESTMENT GRADE	0.00%
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	49.30%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	19.31%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	0.00%
REPURCHASE AGREEMENTS (REPO)	1 YEARS	NO LIMIT	NA	45 DAYS	40% max, 25% in term repo over 7 days	A1/P1/F1	0.00%
REVERSE REPOS	92 DAYS	20%	NA	60 DAYS	10%	NA	0.00%
MEDIUM TERM NOTES (MTNO)	5 YEARS	30%	A	3 YEARS	20%	AA/Aa2/AA	0.00%
CALTRUST SHORT TERM FUND	NA	NA	NA	DAILY LIQUIDITY	1.0%	NA	0.81%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS ⁽¹⁾	20%	AAA/Aaa ⁽²⁾	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	8.65%
LOCAL AGENCY INVESTMENT FUND (LAIF)	NA	NA	NA	DAILY LIQUIDITY	Max \$50 million	NA	0.00%
CASH/DEPOSIT ACCOUNT	NA	NA	NA	NA	NA	NA	5.22%

¹ Mutual Funds maturity may be interpreted as weighted average maturity not exceeding 60 days.

² Or must have an investment advisor with not less than 5 years experience and with assets under management of \$500,000,000.



THIS COMPLETES THE REPORT REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE 53646



County of Riverside
Treasurer-Tax Collector
Capital Markets

4080 Lemon Street, 4th Floor
Riverside, CA 92502-2205

www.treasurer-tax.co.riverside.ca.us

(951) 955-3979