

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2023 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2023 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Series 2023 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2023 Bonds. See “TAX MATTERS” herein.

\$79,996,359.65
RIALTO UNIFIED SCHOOL DISTRICT
(COUNTY OF SAN BERNARDINO, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES 2023

Dated: Date of Delivery**Due: August 1, as shown herein**

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Rialto Unified School District (County of San Bernardino, California) General Obligation Bonds, Election of 2022, Series 2023 (the “Series 2023 Bonds”) are being issued by the Rialto Unified School District (the “District”), located in the County of San Bernardino, California (the “County”). Proceeds of the Series 2023 Bonds will be applied to (i) finance specific construction, reconstruction, rehabilitation, or replacement projects approved by the voters of the District, and (ii) pay costs of issuance of the Series 2023 Bonds, as further described herein. The Series 2023 Bonds were authorized at an election of the voters of the District held on November 8, 2022, at which at least 55% of the voters voting on the proposition authorized the issuance and sale of \$340,000,000 aggregate principal amount of bonds of the District. The Series 2023 Bonds are being issued under the laws of the State of California (the “State”) and pursuant to a resolution of the Board of Education of the District adopted on March 22, 2023.

The Series 2023 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal or accreted value of and interest on the Series 2023 Bonds, all as more fully described herein. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2023 BONDS” herein.

The Series 2023 Bonds will be issued as current interest bonds (the “Current Interest Bonds”) and capital appreciation bonds (the “Capital Appreciation Bonds”), in denominations of \$5,000 principal amount or maturity value, as applicable, or any integral multiple thereof as set forth on the inside front cover page hereof. Interest on the Series 2023 Bonds issued as Current Interest Bonds is payable on each February 1 and August 1 to maturity or earlier redemption thereof, commencing February 1, 2024. Principal of the Series 2023 Bonds issued as Current Interest Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover page hereof.

The Series 2023 Bonds issued as Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable at maturity or their accreted value payable upon earlier redemption thereof. The Series 2023 Bonds issued as Capital Appreciation Bonds mature in each of the years and in the amounts set forth on the inside cover page hereof. Interest on the Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity or earlier redemption thereof, commencing August 1, 2023. The Capital Appreciation Bonds mature in each of the years and in the amounts set forth on the inside front cover page hereof.

The scheduled payment of principal (or, in the case of Capital Appreciation Bonds, the accreted value) of and interest on the Series 2023 Bonds maturing on August 1 in the years 2028 through 2047, inclusive, 2052 (bearing interest at 5.000%) and 2052 (bearing interest at 4.000%) (collectively, the “Insured Bonds”), as indicated on the inside cover page, and only those maturities, when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “BOND INSURANCE FOR INSURED BONDS” herein.



The Series 2023 Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2023 Bonds. Individual purchases of the Series 2023 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2023 Bonds purchased by them. See “THE SERIES 2023 BONDS – Form and Registration” herein. Payments of the principal or accreted value of and interest on the Series 2023 Bonds will be made by U.S. Bank Trust Company, National Association, as paying agent, registrar and transfer agent with respect to the Series 2023 Bonds, to DTC for subsequent disbursement to DTC participants, who will remit such payments to the beneficial owners of the Series 2023 Bonds. See “THE SERIES 2023 BONDS – Payment of Principal and Interest” herein.

The Series 2023 Bonds are subject to redemption prior to maturity as described herein. See “THE SERIES 2023 BONDS – Redemption” herein.

The Series 2023 Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, as Disclosure Counsel to the District; for the District by its counsel, Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California; and for the Underwriters by Norton Rose Fulbright US LLP, Los Angeles, California, as counsel to the Underwriters. It is anticipated that the Series 2023 Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about July 11, 2023.

PIPER | SANDLER

 **LOOP CAPITAL**

MATURITY SCHEDULE
BASE CUSIP[†]: 762494

\$79,996,359.65
RIALTO UNIFIED SCHOOL DISTRICT
(COUNTY OF SAN BERNARDINO, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES 2023

\$51,880,000 Current Interest Bonds

\$12,045,000 Serial Current Interest Bonds

Maturity (August 1,)	Principal Amount	Interest Rate	Yield	CUSIP [†] Suffix
2024	\$6,910,000	5.000%	2.970%	RV6
2025	5,135,000	5.000	2.860	RW4

\$20,060,000 5.000% Term Current Interest Bonds due August 1, 2052* – Yield 3.930%^C – CUSIP[†] Suffix ST0

\$19,775,000 4.000% Term Current Interest Bonds due August 1, 2052* – Yield 4.180% – CUSIP[†] Suffix SU7

\$28,116,359.65 Capital Appreciation Bonds

Maturity (August 1,)	Initial Principal Amount	Accretion Rate	Maturity Value	Yield	CUSIP [†] Suffix
2028*	\$ 330,480.15	6.870%	\$ 465,000	3.570%	RX2
2029*	378,645.30	6.870	570,000	3.600	RY0
2030*	1,036,903.00	6.870	1,670,000	3.580	RZ7
2031*	1,059,120.50	6.870	1,825,000	3.610	SA1
2032*	1,079,455.60	6.870	1,990,000	3.650	SB9
2033*	1,477,850.40	3.810	2,160,000	3.810	SC7
2034*	1,516,862.70	3.940	2,335,000	3.940	SD5
2035*	1,538,861.25	4.150	2,525,000	4.150	SE3
2036*	1,560,790.40	4.300	2,720,000	4.300	SF0
2037*	1,564,331.60	4.490	2,920,000	4.490	SG8
2038*	1,585,432.20	4.580	3,135,000	4.580	SH6
2039*	1,603,857.75	4.650	3,355,000	4.650	SJ2
2040*	1,625,940.90	4.690	3,585,000	4.690	SK9
2041*	1,638,014.40	4.760	3,830,000	4.760	SL7
2042*	1,655,460.00	4.790	4,080,000	4.790	SM5
2043*	1,674,910.60	4.810	4,345,000	4.810	SN3
2044*	1,684,359.60	4.850	4,620,000	4.850	SP8
2045*	1,698,958.20	4.870	4,910,000	4.870	SQ6
2046*	1,700,507.20	4.920	5,215,000	4.920	SR4
2047*	1,705,617.90	4.950	5,530,000	4.950	SS2

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2023 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS database. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

* Insured by Build America Mutual Assurance Company.

^C Yield to call at par on February 1, 2033.

**RIALTO UNIFIED SCHOOL DISTRICT
(COUNTY OF SAN BERNARDINO, CALIFORNIA)**

BOARD OF EDUCATION

Stephanie E. Lewis, *President*
Nancy G. O'Kelley, *Vice President*
Joseph W. Martinez, *Clerk*
Evelyn Dominguez, *Member*
Edgar Montes, *Member*

DISTRICT ADMINISTRATORS

Cuauhtémoc Avila, Ed.D., *Superintendent*
Diane Romo, *Lead Business Services Agent*

PROFESSIONAL SERVICES

Program Funding Manager/Municipal Advisor

California Financial Services
Ladera Ranch, California

District Counsel

Atkinson, Andelson, Loya, Ruud & Romo,
A Professional Law Corporation
Irvine, California

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Paying Agent, Registrar and Transfer Agent

U.S. Bank Trust Company, National Association
Los Angeles, California

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2023 Bonds by 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 Series 2023 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(2) thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2023 Bonds 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 furnished by the District, although obtained from sources which are believed by the District to be reliable, 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 Series 2023 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Series 2023 Bonds or the advisability of investing in the Series 2023 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE FOR INSURED BONDS" and in APPENDIX G - "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," "intend" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2023 Bonds.

In connection with this offering, the Underwriters may overallocate or effect transactions which stabilize or maintain the market prices of the Series 2023 Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2023 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

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\$79,996,359.65
RIALTO UNIFIED SCHOOL DISTRICT
(COUNTY OF SAN BERNARDINO, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES 2023

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside front 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 Series 2023 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, is provided to furnish information in connection with the sale of \$79,996,359.65 aggregate initial principal amount of Rialto Unified School District (County of San Bernardino, California) General Obligation Bonds, Election of 2022, Series 2023 (the “Series 2023 Bonds”), consisting of current interest bonds (the “Current Interest Bonds”) and capital appreciation bonds (the “Capital Appreciation Bonds”), all as indicated on the inside front cover page hereof, to be offered by the Rialto Unified School District (the “District”).

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See “OTHER LEGAL MATTERS – Continuing Disclosure” and APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

The Series 2023 Bonds are general obligation bonds of the District secured by and payable from *ad valorem* taxes to be levied upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). The Series 2023 Bonds are not a debt or obligation of the County of San Bernardino (the “County”) or of the general fund of the District. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2023 BONDS.”

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2023 Bonds. Quotations from and summaries and explanations of the Series 2023 Bonds, the Resolution (as defined herein) of the Board of Education of the District providing for the issuance of the Series 2023 Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2023 Bonds.

Copies of documents referred to herein and information concerning the Series 2023 Bonds are available from the District by contacting: Rialto Unified School District, 182 East Walnut Avenue, Rialto,

California 92376, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

Changes from the Preliminary Official Statement

Since June 14, 2023, the date of the Preliminary Official Statement relating to the Series 2023 Bonds, the District's fiscal year 2023-24 budget (the "Fiscal Year 2023-24 Budget") was adopted by the Board of Education. There were no changes from the proposed version of the Fiscal Year 2023-24 Budget presented in the Preliminary Official Statement to the final Fiscal Year 2023-24 Budget presented in this Official Statement. Also, since June 14, 2023, the date of the Preliminary Official Statement relating to the Series 2023 Bonds, the Governor has signed the State budget for fiscal year 2023-24 (the "2023-24 State Budget"). As of the date of this Official Statement, the complete 2023-24 Budget is not yet available from the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. Accordingly, this final Official Statement includes, in addition to pricing information relating to the Series 2023 Bonds, limited information regarding the 2023-24 State Budget. See APPENDIX A – "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *Changes in State Budget*." The District can take no responsibility for the continued accuracy of the internet addresses referenced above or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

The District

The District was founded in 1891 and has operated as a unified school district since 1964. The District provides preschool, elementary and secondary educational services to residents of an area of the County encompassing approximately 55 square miles that includes the City of Rialto, the western portion of the City of San Bernardino, small segments of the cities of Colton and Fontana and some unincorporated County territory. The District currently operates 19 elementary schools, five middle schools, three comprehensive high schools, one continuation high school, one virtual academy, and one adult education school. Total enrollment in the District was approximately 24,098 students in fiscal year 2021-22 and approximately 23,778 students in fiscal year 2022-23. As of the preparation of the Fiscal Year 2023-24 Budget, total enrollment in the District is budgeted to be approximately 23,395 students in fiscal year 2023-24. The District operates under the jurisdiction of the San Bernardino County Superintendent of Schools. Total assessed valuation of taxable property in the District in fiscal year 2022-23 is approximately \$12.16 billion.

For additional information about the District, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022."

For specific information on the impact of the Coronavirus Disease 2019 ("COVID-19") pandemic (i) on the security and source of payment for the Series 2023 Bonds, see "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2023 BONDS – Assessed Valuation of Property Within the District" and "– Tax Charges and Delinquencies," and (ii) on the District's operations and finances, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Infectious Disease Outbreak."

THE SERIES 2023 BONDS

Authority for Issuance; Purpose

Authority for Issuance. The Series 2023 Bonds are issued by the District under the provisions of California Government Code Section 53506 *et seq.*, including Section 53508.7 thereof, and California Education Code Sections 15140 and 15146 and Article XIII A of the Constitution of the State of California (the “California Constitution”) and pursuant to a resolution of the Board of Education of the District, adopted on March 22, 2023 (the “Resolution”).

Purpose. At an election held on November 8, 2022, the District received approval by at least 55% of the votes cast by eligible voters within the District to issue general obligation bonds of the District in an aggregate principal amount not to exceed \$340,000,000 to upgrade school fire/security/safety systems, science, engineering, math, arts, vocational classrooms; replace drinking water pipes, gas lines, leaky roofs, portable classrooms, electrical wiring; remove asbestos, lead paint, mold (collectively, the “2022 Authorization”). The Series 2023 Bonds represent the first series of authorized bonds to be issued under the 2022 Authorization. Proceeds of the Series 2023 Bonds will be applied to (i) finance specific construction, reconstruction, rehabilitation or replacement projects approved by the voters of the District under the 2022 Authorization, and (ii) pay costs of issuance of the Series 2023 Bonds. See “—Application and Investment of Series 2023 Bond Proceeds” herein. Following the issuance of the Series 2023 Bonds, the District has \$260,003,640.35 aggregate principal amount of bonds authorized but unissued under the 2022 Authorization.

Pursuant to the Resolution, the term “Bonds” means all bonds, including the Series 2023 Bonds and refunding bonds, of the District heretofore or hereafter issued pursuant to voter-approved measures of the District, including bonds approved by the voters of the District on September 14, 1999, November 2, 2010, and pursuant to the 2022 Authorization.

Form and Registration

The Series 2023 Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 principal amount or maturity value, as applicable, or integral multiples thereof. The Series 2023 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository of the Series 2023 Bonds. Purchases of the Series 2023 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in the Series 2023 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2023 Bonds, beneficial owners of the Series 2023 Bonds (“Beneficial Owners”) will not receive physical certificates representing their ownership interests. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Bond Insurance Policy for Insured Bonds

Concurrently with the issuance of the Series 2023 Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Series 2023 Bonds maturing on August 1 in the years 2028 through 2047, inclusive, 2052 (bearing interest at 5.000%) and 2052 (bearing interest at 4.000%) (collectively, the “Insured Bonds”), as indicated on the inside cover page, and only those maturities. The Policy guarantees the scheduled payment of principal (or in the case of Capital Appreciation Bonds, the accreted value) of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement. See “BOND

INSURANCE FOR INSURED BONDS.” For additional considerations regarding BAM and the Policy, see “MISCELLANEOUS – Ratings.”

Payment of Principal and Interest

The Series 2023 Bonds will be issued as Current Interest Bonds and Capital Appreciation Bonds, all as set forth on the inside front cover page hereof.

Interest. The Series 2023 Bonds will be dated as of their date of delivery and bear interest at the rates set forth on the inside front cover page of this Official Statement. Interest on the Series 2023 Bonds will be payable or compounded, as applicable, on February 1 and August 1 of each year, commencing on August 1, 2023 for the Capital Appreciation Bonds and on February 1, 2024 for the Current Interest Bonds (each an “Interest Date” and collectively, the “Interest Dates”).

Interest on the Current Interest Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months. Each Current Interest Bond will bear interest from the Interest Date of such Current Interest Bond next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Date for such Current Interest Bond (the “Record Date”) and on or prior to the succeeding Interest Date for such Current Interest Bond, in which event it will bear interest from such Interest Date for such Current Interest Bond, or unless it is authenticated on or before the Record Date preceding the first Interest Date for such Current Interest Bond, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Current Interest Bond, interest is in default on any outstanding Current Interest Bonds, such Current Interest Bond will bear interest from the Interest Date for such Current Interest Bond to which interest has previously been paid or made available for payment on the outstanding Current Interest Bonds.

The Capital Appreciation Bonds will not bear interest on a current, periodic basis; instead, each Capital Appreciation Bond will accrete in value daily over the term to its maturity or earlier redemption thereof (on the basis of a 360-day year consisting of twelve 30-day months), from its initial principal amount on the date of issuance thereof to its stated maturity value at maturity thereof (“maturity value”), as stated on the inside front cover page of this Official Statement, or to its accreted value if subject to redemption prior to maturity thereof, on the basis of a constant interest rate or rates compounded semiannually on each Interest Date (with straight-line interpolations between Interest Dates).

Accreted Values. The rate of interest at which a Capital Appreciation Bond’s maturity value is discounted to its initial principal amount is known as the “Accretion Rate,” and is stated on the inside front cover page hereof. For any Capital Appreciation Bond, the value of the initial principal plus accrued interest on any given Interest Date prior to maturity (the “accreted value”) may be calculated by discounting the maturity value of the Capital Appreciation Bond from its maturity date to that Interest Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The imputed value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Dates immediately preceding and following the date in question.

The Underwriters have prepared the Table of Accreted Values shown in Appendix H hereto with respect to the Capital Appreciation Bonds in order to provide the value per \$5,000 of maturity value for each Capital Appreciation Bond on each Interest Date prior to maturity.

Payment of Series 2023 Bonds. The principal or accreted value of and interest on the Series 2023 Bonds is payable in lawful money of the United States of America to the registered owner thereof

(the “Owner”), upon the surrender thereof at the principal corporate trust office of U.S. Bank Trust Company, National Association, as paying agent (the “Paying Agent”) at the maturity thereof or upon redemption prior to maturity.

The interest on the Current Interest Bonds is payable on each Interest Date in lawful money of the United States of America to the Owner thereof as of the Record Date preceding such Interest Date, such interest to be paid by check or draft mailed on such Interest Date (if a business day, or on the next business day if the Interest Date does not fall on a business day) to the Owner thereof at such Owner’s address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment will be made by wire transfer of immediately available funds to any Owner of at least \$1,000,000 in principal amount of outstanding Current Interest Bonds who request in writing such method of payment of interest prior to the close of business on the Record Date immediately preceding any Interest Date. So long as the Series 2023 Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Redemption

Optional Redemption of the Current Interest Bonds. The Current Interest Bonds maturing on or before August 1, 2025 are not subject to optional redemption prior to their respective stated maturity dates. The Current Interest Bonds maturing on August 1, 2052 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after February 1, 2033, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Optional Redemption of the Capital Appreciation Bonds. The Capital Appreciation Bonds maturing on or before August 1, 2032 are not subject to optional redemption prior to their respective stated maturity dates. The Capital Appreciation Bonds maturing on or after August 1, 2033 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after February 1, 2033, at a redemption price equal to the initial principal amount of the Capital Appreciation Bonds called for redemption plus accreted interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption of the Current Interest Bonds. The \$20,060,000 term Current Interest Bonds maturing on August 1, 2052 (bearing interest at 5.000%) are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1.)	Principal Amount to be Redeemed
2048	\$2,200,000
2049	3,020,000
2050	3,925,000
2051	4,915,000
2052 [†]	6,000,000

[†] Maturity.

The principal amount of the \$20,060,000 term Current Interest Bonds maturing on August 1, 2052 (bearing interest at 5.000%), to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of such term Current Interest Bonds, optionally redeemed prior to the mandatory sinking fund redemption date.

The \$19,775,000 term Current Interest Bonds maturing on August 1, 2052 (bearing interest at 4.000%) are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1,)	Principal Amount to be Redeemed
2048	\$3,955,000
2049	3,955,000
2050	3,955,000
2051	3,955,000
2052 [†]	3,955,000

[†] Maturity.

The principal amount of the \$19,775,000 term Current Interest Bonds maturing on August 1, 2052 (bearing interest at 4.000%), to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of such term Current Interest Bonds, optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Series 2023 Bonds for Redemption. If less than all of the Series 2023 Bonds, if any, are subject to such redemption and are called for redemption, such Series 2023 Bonds will be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2023 Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Series 2023 Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series 2023 Bond will be deemed to consist of individual Series 2023 Bonds of denominations of \$5,000 principal amount or accreted value, as applicable, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2023 Bond will be given by the Paying Agent, postage prepaid, not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate with respect to the Series 2023 Bonds. See APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Each notice of redemption is required to contain the following information: (i) the date of such notice; (ii) the name of the Series 2023 Bonds and the date of issue of such Series 2023 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series 2023 Bonds to be redeemed; (vi) if less than all of the Series 2023 Bonds of any maturity are to be redeemed the distinctive numbers of the Series 2023 Bonds of each maturity to be redeemed; (vii) in the case of Series 2023 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2023

Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2023 Bonds to be redeemed; (ix) a statement that such Series 2023 Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Series 2023 Bonds will not accrue or accrete after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. Neither the failure to receive such notice, nor any defect in the notice given, will affect the sufficiency of the proceedings for the redemption of the Series 2023 Bonds called for redemption or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Series 2023 Bonds called for redemption is set aside for the purpose of redeeming the Series 2023 Bonds, the Series 2023 Bonds designated for redemption become due and payable on the specified redemption date and interest ceases to accrue or accrete thereon as of the redemption date, and upon presentation and surrender of such Series 2023 Bonds at the place specified in the notice of redemption, such Series 2023 Bonds are to be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2023 Bonds so called for redemption after such redemption date will look for the payment of such Series 2023 Bonds and the redemption premium thereon, if any, only from monies on deposit for such purpose in the interest and sinking fund of the District established for the Series 2023 Bonds within the County treasury (the “Interest and Sinking Fund”) or the trust fund established for such purpose. All Series 2023 Bonds redeemed are to be cancelled forthwith by the Paying Agent and are not to be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Series 2023 Bonds so called for redemption. Any optional redemption and notice thereof is to be rescinded if for any reason on the date fixed for redemption monies are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2023 Bonds called for redemption. Notice of rescission of redemption is to be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Series 2023 Bond of notice of such rescission is not a condition precedent to rescission, and failure to receive such notice or any defect in such notice does not affect the validity of the rescission.

Funds for Redemption. Prior to or on the redemption date of any Series 2023 Bonds there is to be available in the Interest and Sinking Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the redemption prices as provided in the Resolution, the Series 2023 Bonds designated in the notice of redemption. Such monies are to be applied on or after the redemption date solely for payment of principal of, interest and premium, if any, on the Series 2023 Bonds to be redeemed upon presentation and surrender of such Series 2023 Bonds, provided that all monies in the Interest and Sinking Fund are to be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date is to be paid from the Interest and Sinking Fund, unless otherwise provided to be paid from such monies held in trust. If, after all of the Series 2023 Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Interest and Sinking Fund or otherwise held in trust for the payment of the redemption price of the Series 2023 Bonds, the monies are to be held in or returned or transferred to any interest and sinking fund of the District for payment of any outstanding Bonds of the District payable from such fund; provided, however, that if the monies are part of the proceeds of Bonds of the District, the monies are to be transferred to the fund created for the payment of principal of and interest on such Bonds. If no such Bonds of the District are at such time outstanding, the monies are to be transferred to the general fund of the District as provided and permitted by law.

Defeasance of Series 2023 Bonds

The Resolution provides that if at any time the District will pay or cause to be paid or there will otherwise be paid to the Owners of any or all of the outstanding Series 2023 Bonds all or any part of the principal of and interest and premium, if any, on the Series 2023 Bonds at the times and in the manner provided in the Resolution and in the Series 2023 Bonds, or as described in the following paragraph, or as otherwise provided by law consistent with the provisions of the Resolution, then such Owners will cease to be entitled to the obligation of the District and the County as provided in the Resolution, and such obligation and all agreements and covenants of the District and the County to such Owners under the Resolution and under the Series 2023 Bonds will thereupon be satisfied and discharged and will terminate, except only that the District will remain liable for payment of all principal, interest and premium, if any, represented by the Series 2023 Bonds, but only out of monies on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment; and provided further, however, that the provisions of the Resolution described below under “– Unclaimed Monies” will apply.

The District may pay and discharge any or all of the Series 2023 Bonds by depositing in trust with the Paying Agent or an escrow agent selected by the District, at or before maturity, money or non-callable direct obligations of the United States of America (including zero interest bearing State and Local Government Series) or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the Interest and Sinking Fund, be fully sufficient to pay and discharge the indebtedness on such Series 2023 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Monies

Any money held in any fund created pursuant to the Resolution, or by the Paying Agent or an escrow agent in trust for the payment of the principal or accreted value of, redemption premium, if any, or interest on the Series 2023 Bonds and remaining unclaimed for two years after the principal or accreted value of all of the Series 2023 Bonds has become due and payable (whether by maturity or upon prior redemption) is required to be transferred to any interest and sinking fund of the District for payment of any outstanding Bonds of the District payable from such fund; or, if no such Bonds of the District are at such time outstanding, the monies are required to be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Series 2023 Bond Proceeds

The proceeds of the Series 2023 Bonds are expected to be applied as follows:

RIALTO UNIFIED SCHOOL DISTRICT (COUNTY OF SAN BERNARDINO, CALIFORNIA) GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES 2023

Estimated Sources and Uses of Funds

Sources of Funds:

Aggregate Initial Principal Amount of Series 2023 Bonds	\$79,996,359.65
Plus Net Original Issue Premium	2,527,697.50
Total Sources of Funds	<u>\$82,524,057.15</u>

Uses of Funds:

Deposit to Building Fund	\$78,992,769.30
Deposit to Interest and Sinking Fund ⁽¹⁾	2,527,697.50
Costs of Issuance ⁽²⁾	643,606.73
Underwriters' Discount	359,983.62
Total Uses of Funds	<u>\$82,524,057.15</u>

⁽¹⁾ Consists of premium received by the District.

⁽²⁾ Includes legal fees, municipal advisor fees, rating agency fees, bond insurance premium, printing fees and other miscellaneous expenses.

Under State law, all money received by or apportioned to a school district must generally be paid into and held in the county treasury. The proceeds from the sale of the Series 2023 Bonds, less amounts necessary to pay costs of issuance, exclusive of any premium and accrued interest received by the District, will be deposited in the County treasury to the credit of the building fund of the District established for the Series 2023 Bonds (the "Building Fund") and will be accounted for separately from all other District and County funds. Such proceeds will be applied solely for the purposes for which the Series 2023 Bonds were authorized. Any premium or accrued interest on the Series 2023 Bonds received by the District will be deposited in the Interest and Sinking Fund in the County treasury. Taxes collected to pay principal and interest on the Series 2023 Bonds will also be deposited in the Interest and Sinking Fund. Earnings on the investment of monies in either fund will be retained in that fund and used only for the purpose to which that fund may lawfully be applied. Monies in the Building Fund may only be applied for the purposes for which the Series 2023 Bonds were authorized. Monies in the Interest and Sinking Fund may only be applied to pay principal, interest and redemption premium, if any, on the Series 2023 Bonds.

All funds held by the Treasurer-Tax Collector of the County (the "Treasurer-Tax Collector") in the Building Fund and the Interest and Sinking Fund are expected to be invested at the sole discretion of the Treasurer-Tax Collector on behalf of the District in such investments as are authorized by Section 53601 *et seq.* of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See APPENDIX E – "COUNTY OF SAN BERNARDINO INVESTMENT POLICIES AND PRACTICES; DESCRIPTION OF INVESTMENT POOL" for a description of the permitted investments under the investment policy of the County. In addition, to the extent permitted by law and the investment policy of the County, the District may request in writing that all or any portion of the funds held in the Building Fund may be invested in investment agreements, including guaranteed investment contracts, float contracts or other investment products which comply with the requirements of each rating agency then rating the Series 2023 Bonds. The

Treasurer-Tax Collector does not monitor such investments for arbitrage compliance and does not perform any arbitrage calculations with respect to such investments.

Debt Service

Annual debt service on the Series 2023 Bonds, assuming no early optional redemptions, is set forth in the following table.

**RIALTO UNIFIED SCHOOL DISTRICT
(COUNTY OF SAN BERNARDINO, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2022, SERIES 2023**

Period Ending (August 1.)	Current Interest Bonds		Capital Appreciation Bonds		Total Debt Service
	Principal	Interest	Principal	Interest Paid at Maturity	
2024	\$ 6,910,000.00	\$ 2,529,375.00	-	-	\$ 9,439,375.00
2025	5,135,000.00	2,050,750.00	-	-	7,185,750.00
2026	-	1,794,000.00	-	-	1,794,000.00
2027	-	1,794,000.00	-	-	1,794,000.00
2028	-	1,794,000.00	\$ 330,480.15	\$ 134,519.85	2,259,000.00
2029	-	1,794,000.00	378,645.30	191,354.70	2,364,000.00
2030	-	1,794,000.00	1,036,903.00	633,097.00	3,464,000.00
2031	-	1,794,000.00	1,059,120.50	765,879.50	3,619,000.00
2032	-	1,794,000.00	1,079,455.60	910,544.40	3,784,000.00
2033	-	1,794,000.00	1,477,850.40	682,149.60	3,954,000.00
2034	-	1,794,000.00	1,516,862.70	818,137.30	4,129,000.00
2035	-	1,794,000.00	1,538,861.25	986,138.75	4,319,000.00
2036	-	1,794,000.00	1,560,790.40	1,159,209.60	4,514,000.00
2037	-	1,794,000.00	1,564,331.60	1,355,668.40	4,714,000.00
2038	-	1,794,000.00	1,585,432.20	1,549,567.80	4,929,000.00
2039	-	1,794,000.00	1,603,857.75	1,751,142.25	5,149,000.00
2040	-	1,794,000.00	1,625,940.90	1,959,059.10	5,379,000.00
2041	-	1,794,000.00	1,638,014.40	2,191,985.60	5,624,000.00
2042	-	1,794,000.00	1,655,460.00	2,424,540.00	5,874,000.00
2043	-	1,794,000.00	1,674,910.60	2,670,089.40	6,139,000.00
2044	-	1,794,000.00	1,684,359.60	2,935,640.40	6,414,000.00
2045	-	1,794,000.00	1,698,958.20	3,211,041.80	6,704,000.00
2046	-	1,794,000.00	1,700,507.20	3,514,492.80	7,009,000.00
2047	-	1,794,000.00	1,705,617.90	3,824,382.10	7,324,000.00
2048	6,155,000.00	1,794,000.00	-	-	7,949,000.00
2049	6,975,000.00	1,525,800.00	-	-	8,500,800.00
2050	7,880,000.00	1,216,600.00	-	-	9,096,600.00
2051	8,870,000.00	862,150.00	-	-	9,732,150.00
2052	9,955,000.00	458,200.00	-	-	10,413,200.00
Total:	<u>\$51,880,000.00</u>	<u>\$49,904,875.00</u>	<u>\$28,116,359.65</u>	<u>\$33,668,640.35</u>	<u>\$163,569,875.00</u>

Source: Piper Sandler & Co.

Outstanding Bonds

In addition to the Series 2023 Bonds, the District has six series of general obligation bonds outstanding, each of which is secured by *ad valorem* taxes levied upon all property subject to taxation by the District.

1999 Authorization. At an election held on September 14, 1999, the District received approval by at least a two-thirds majority of the votes cast by eligible voters within the District to issue bonds of the District in an aggregate principal amount not to exceed \$60,000,000 to finance specific construction and modernization projects approved by the voters (the “1999 Authorization”). On June 6, 2000, the District issued \$19,995,038.25 aggregate initial principal amount of its Election of 1999 General Obligation Bonds, Series A (the “Series 2000A Bonds”), as the District’s first series of bonds issued under the 1999 Authorization to finance authorized projects. On February 4, 2003, the District issued \$20,000,000 aggregate principal amount of its General Obligation Bonds, Election of 1999, Series B (the “Series 2003B Bonds”), as the District’s second series of bonds issued under the 1999 Authorization to finance authorized projects. On May 19, 2004, the District issued \$20,000,000 aggregate principal amount of its General Obligation Bonds, Election of 1999, Series C (the “Series 2004C Bonds”), as the District’s third and final series of bonds issued under the 1999 Authorization to finance authorized projects.

2010 Authorization. At an election held on November 2, 2010, the District received approval by at least 55% of the votes cast by eligible voters within the District to issue bonds of the District in an aggregate principal amount not to exceed \$98,000,000 to acquire, construct and improve classrooms and support facilities, provide career and technical classrooms, including science labs, to enhance preparation for college and careers, replace portable facilities with permanent classrooms, and increase student access to modern technology (the “2010 Authorization”). On March 17, 2011, the District issued \$26,932,186.85 aggregate initial principal amount of its General Obligation Bonds, Election of 2010, Series 2011A (the “Series 2011A Bonds”), and \$9,695,000 aggregate principal amount of its General Obligation Bonds, Election of 2010, Series 2011B (Federally Taxable/Qualified School Construction Bonds) (the “Series 2011B Bonds”), as its first and second, respectively, series of bonds issued under the 2010 Authorization to finance authorized projects.

A portion of the Series 2011B Bonds were issued as “qualified school construction bonds” under the provisions of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”), and the District expects to receive a cash subsidy payment from the United States Treasury (the “Treasury”) equal to a portion of the interest due on each interest payment date on such Series 2011B Bonds. The subsidy does not constitute a full faith and credit guarantee of the United States with respect to such Series 2011B Bonds, but, assuming the District satisfies the requirements of the Internal Revenue Code of 1986, is required to be paid by the Treasury under the Recovery Act. Any subsidy payments received by the District are required to be deposited into the interest and sinking fund of the District established for the Series 2011B Bonds within the County treasury. The Board of Supervisors of the County (the “Board of Supervisors”) is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District for the payment of principal of and interest on the Series 2011B Bonds whether or not such subsidy payments are received and deposited in the interest and sinking fund of the District established for the Series 2011B Bonds. As a result, the levy of *ad valorem* property taxes will only take into account amounts actually received from the Treasury and deposited in the interest and sinking fund of the District established for the Series 2011B Bonds. The District makes no assurances about the effect of future legislative or policy changes or tax liabilities of the District on the amount or receipt of the subsidy payments from the Treasury.

On March 26, 2015, the District issued \$32,015,000 aggregate principal amount of its General Obligation Bonds, Election of 2010, Series 2015 (Federally Taxable) (the “Series 2015 Bonds”), as its

third series of bonds issued under the 2010 Authorization to finance authorized projects. On December 5, 2019, the District issued \$29,356,650.35 aggregate initial principal amount of its General Obligation Bonds, Election of 2010, Series 2019 (the “Series 2019 Bonds”), as its fourth and final series of bonds issued under the 2010 Authorization to finance authorized projects.

Refunding Bonds. On June 5, 2012, the District issued \$29,865,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”) to refund a portion of the series 2003B Bonds and a portion of the Series 2004C Bonds.

Aggregate Debt Service

The table on the following page sets forth the annual aggregate debt service requirements of all outstanding general obligation bonds of the District, including the Series 2023 Bonds, assuming no early optional redemptions.

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RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
General Obligation Bonds – Aggregate Debt Service

Period Ending (August 1,)	Series 2000A Bonds	Series 2011A Bonds	Series 2011B Bonds ⁽²⁾	Series 2012 Refunding Bonds	Series 2015 Bonds	Series 2019 Bonds	Series 2023 Bonds	Aggregate Total Debt Service
2023 ⁽¹⁾	\$1,662,578.00	-	\$2,027,499.46	\$2,694,606.26	\$3,369,525.30	\$1,143,500.00	-	\$10,897,709.02
2024	1,659,806.00	-	2,354,059.46	2,686,656.26	3,185,683.70	1,271,800.00	\$9,439,375.00	20,597,380.42
2025	1,660,000.00	-	2,678,707.46	2,679,000.02	2,988,035.40	1,495,450.00	7,185,750.00	18,686,942.88
2026	-	\$4,175,000.00	315,387.46	2,681,325.02	1,258,466.20	1,711,450.00	1,794,000.00	11,935,628.68
2027	-	4,810,037.50	-	2,671,050.02	1,197,472.00	1,769,800.00	1,794,000.00	12,242,359.52
2028	-	6,565,037.50	-	1,340,325.00	-	1,560,000.00	2,259,000.00	11,724,362.50
2029	-	8,310,037.50	-	-	-	-	2,364,000.00	10,674,037.50
2030	-	8,670,037.50	-	-	-	-	3,464,000.00	12,134,037.50
2031	-	9,040,037.50	-	-	-	-	3,619,000.00	12,659,037.50
2032	-	9,429,925.95	-	-	-	-	3,784,000.00	13,213,925.95
2033	-	9,834,663.50	-	-	-	-	3,954,000.00	13,788,663.50
2034	-	10,259,639.25	-	-	-	-	4,129,000.00	14,388,639.25
2035	-	10,700,097.15	-	-	-	-	4,319,000.00	15,019,097.15
2036	-	11,160,037.50	-	-	-	-	4,514,000.00	15,674,037.50
2037	-	11,640,037.50	-	-	-	-	4,714,000.00	16,354,037.50
2038	-	12,141,225.00	-	-	-	-	4,929,000.00	17,070,225.00
2039	-	12,663,032.50	-	-	-	-	5,149,000.00	17,812,032.50
2040	-	13,208,110.00	-	-	-	-	5,379,000.00	18,587,110.00
2041	-	13,778,372.50	-	-	-	-	5,624,000.00	19,402,372.50
2042	-	-	-	-	-	13,625,000.00	5,874,000.00	19,499,000.00
2043	-	-	-	-	-	13,970,000.00	6,139,000.00	20,109,000.00
2044	-	-	-	-	-	14,245,000.00	6,414,000.00	20,659,000.00
2045	-	-	-	-	-	-	6,704,000.00	6,704,000.00
2046	-	-	-	-	-	-	7,009,000.00	7,009,000.00
2047	-	-	-	-	-	-	7,324,000.00	7,324,000.00
2048	-	-	-	-	-	-	7,949,000.00	7,949,000.00
2049	-	-	-	-	-	-	8,500,800.00	8,500,800.00
2050	-	-	-	-	-	-	9,096,600.00	9,096,600.00
2051	-	-	-	-	-	-	9,732,150.00	9,732,150.00
2052	-	-	-	-	-	-	10,413,200.00	10,413,200.00
Total:	\$4,982,384.00	\$156,385,328.35	\$7,375,653.84	\$14,752,962.58	\$11,999,182.60	\$50,792,000.00	\$163,569,875.00	\$409,857,386.37

⁽¹⁾ Debt service figures for period ending August 1, 2023 include payments made on February 1, 2023.

⁽²⁾ The District expects to receive a cash subsidy payment from the United States Treasury equal to a portion of the interest due on each interest payment date on the portion of the Series 2011B Bonds designated as “qualified school construction bonds.” See “– Outstanding Bonds” above. Amounts shown do not take into account the receipt of any subsidy payments.

Source: Piper Sandler & Co.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2023 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series 2023 Bonds, the Board of Supervisors is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Series 2023 Bonds. Such taxes are in addition to but separate from other taxes levied upon property within the District that are deposited by the County to the District's general fund. When collected, the tax revenues with respect to each voter-approved bond measure of the District for the payment of Bonds issued under such bond measure will be deposited by the County in any interest and sinking fund of the District related to such bond measure with respect to the Bonds of such bond measure to be used solely for the payment of the principal or redemption price of and interest on such Bonds.

The Series 2023 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Series 2023 Bonds.

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Series 2023 Bonds, but also any other bonds of the District payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien. For information on outstanding bonds of the District, see "THE SERIES 2023 BONDS – Outstanding Bonds" above.

Pledge of Tax Revenues

As provided in the Resolution, the District has pledged all revenues from the property taxes collected from the levy by the Board of Supervisors with respect to each voter-approved bond measure of the District for the payment of Bonds issued under such bond measure and amounts on deposit in any interest and sinking fund of the District related to such bond measure with respect to the Bonds of such bond measure to the payment of the principal or redemption price of and interest on such Bonds. Pursuant to the Resolution, such pledge is valid and binding from the date of the Resolution for the benefit of the Owners of the Bonds and successors thereto. The Resolution provides that the property taxes and amounts held in any interest and sinking fund of the District will be immediately subject to this

pledge, and the pledge will constitute a lien and security interest which will immediately attach to the property taxes and amounts held in any interest and sinking fund of the District to secure the payment of such Bonds and will be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge constitutes an agreement between the District and the Owners of Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds secured by the pledge are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

The pledge of tax revenues provided for in the Resolution specifies that said pledge and lien secures the Series 2023 Bonds and other general obligations bonds, including refunding bonds, previously issued or that may be issued in the future pursuant to voter-approved measures. Previous general obligation bonds of the District have been issued under resolutions that pledge tax revenues to secure the general obligation bonds and the general obligation refunding bonds issued thereunder, and the District may provide for a similar pledge of tax revenues in resolutions adopted in the future that authorize general obligation bonds and general obligation refunding bonds. The Resolution does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the lien of the pledges.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. Both the county auditor-controller and the county treasurer-tax collector have accounting responsibilities related to the collecting of the property taxes. Once collected, the county auditor-controller apportions and distributes the taxes to the various taxing entities and related funds and accounts. The county treasurer-tax collector, the superintendent of schools of which has jurisdiction over the school district, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal of and interest on the school bonds when due, as *ex-officio* treasurer of the school district.

Assessed Valuation of Property Within the District

General. Taxable property located in the District has a fiscal year 2022-23 assessed value of \$12,156,443,399. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the California Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See “– *Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” below.

Under the California Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in each county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in the State, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property’s value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State’s methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies within the County, including the District.

For fiscal year 2022-23, the total assessed value of utility property in the District is \$4,576,267, which comprises approximately 3.76% of the total assessed valuation of property in the District for such fiscal year.

Locally taxed property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is “unsecured,” and is assessed on the “unsecured roll.” Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as “utility” property.

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The following table sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal years 2004-05 through 2022-23, each as of the date the equalized assessment roll is established in August of each year.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Assessed Valuations
Fiscal Years 2004-05 through 2022-23

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2004-05	\$3,891,132,777	\$5,785,742	\$243,651,523	\$4,140,570,042
2005-06	4,452,330,026	5,375,603	256,823,380	4,714,529,009
2006-07	5,348,163,842	5,139,270	276,168,125	5,629,471,237
2007-08	6,205,358,181	3,004,092	351,921,526	6,560,283,799
2008-09	6,250,762,989	3,002,209	384,352,229	6,638,117,427
2009-10	5,470,937,654	3,776,982	404,898,150	5,879,612,786
2010-11	5,116,956,930	3,789,700	384,837,952	5,505,584,582
2011-12	5,151,124,349	3,818,009	351,269,663	5,506,212,021
2012-13	5,246,718,901	3,819,258	399,336,562	5,649,874,721
2013-14	5,547,093,026	3,817,028	360,031,438	5,910,941,492
2014-15	5,986,625,515	2,149,197	407,045,980	6,395,820,692
2015-16	6,416,683,075	2,145,148	492,854,898	6,911,683,121
2016-17	6,871,316,099	2,132,287	456,531,924	7,329,980,310
2017-18	7,217,445,229	2,127,417	597,008,329	7,816,580,975
2018-19	8,273,570,367	2,121,281	598,663,881	8,874,355,529
2019-20	9,094,553,801	4,751,093	628,556,353	9,727,861,247
2020-21	9,690,334,873	4,712,202	826,759,421	10,521,806,496
2021-22	10,383,495,675	4,675,856	798,448,848	11,186,620,379
2022-23	11,298,711,133	4,576,267	853,155,999	12,156,443,399

Source: California Municipal Statistics, Inc.

Risk of Decline in Property Values. Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in property values, including potential market declines caused by the effects of a reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, drought, flood, landslide, liquefaction, levee failure, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also “– *Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” below.

Risk of Changing Economic Conditions. Property values could be reduced by factors beyond the District's control, including a depressed real estate market due to general economic conditions in the County, the region, and the State. A pandemic, like the COVID-19 pandemic, may result in an economic recession or depression that causes a general market decline in property values therefore affecting the assessed value of the property in the District. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – “INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Infectious Disease Outbreak.” Events resulting in changing economic conditions may also alter the willingness or the ability of local taxpayers to pay *ad valorem* taxes levied to repay the District's Bonds. The District cannot predict whether events that may result in changing economic conditions will occur or the extent that a change in economic conditions will

impact assessed value of property in the District or the willingness or ability of local taxpayers to pay *ad valorem* taxes.

Risk of Climate Change. The change in the earth’s average atmospheric temperature, generally referred to as “climate change,” is expected to, among other things, increase the frequency of extreme weather events. The direct risks posed by climate change currently include or are expected to include more extreme heat events, increased incidence of wildfire and drought, rising sea levels, changes in precipitation levels, including flooding, and more intense storms. As greenhouse gas emissions continue to accumulate, climate change may intensify and increase the frequency of such extreme weather events. One or more of such extreme weather events could negatively impact the assessed value of the property within the District. The District cannot predict the timing, extent, or severity of climate change and its impact on property values in the District.

Risk of Earthquake. The District is located in a seismically active region. The most notable earthquake faults in the region include the San Andreas and San Jacinto faults. Property values could be reduced by the complete or partial destruction of taxable property as a result of an earthquake.

Risk of Drought. Most recently, the State has experienced periods of extreme precipitation, after having experienced severe drought conditions that led to the Governor of California (the “Governor”) declaring a Statewide drought emergency in spring 2021. In March 2023, the Governor proclaimed a state of emergency related to a series of ongoing winter storms that has been expanded to include 43 counties in the State. While the Statewide drought emergency is still in effect in all 58 counties, snowfall and precipitation resulting from winter storms have eased drought conditions across the State. As a result, in March 2023, the Governor rolled back drought emergency provisions that are no longer needed while maintaining other measures that support regions and communities that continue to be impacted by drought conditions. The District cannot predict the extent to which drought conditions within the County or any of the adjoining counties could cause reduced economic activity within the boundaries of the District or the extent to which drought conditions may impact District facilities or the assessed value of taxable property within the District.

Risk of Wildfire. Property damage due to wildfire could result in significant damage to, destruction of, and significant decreases in the assessed value of taxable property within the boundaries of the District, as well as in damage to or destruction of District facilities and property. In recent years, portions of the State, including the County and adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. Notable incidents that have impacted the County and adjacent counties in recent years include the Cranston Fire, Taboose Fire, Apple Fire, Lake Fire, El Dorado Fire, Blue Ridge Fire and Silverado Fire. Within the boundaries of the District, no facilities or property was damaged or destroyed by said wildfires or other recent wildfires. The adjacent counties of Inyo, Kern, Los Angeles, Orange and Riverside have also been impacted by the wildfires mentioned above. The District cannot predict the extent to which any future wildfires within the District, the County, or any of the adjoining counties could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact District facilities or the assessed value of taxable property within the District.

Prospective purchasers of the Series 2023 Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the County is required to levy sufficient taxes to pay debt service on the Series 2023 Bonds. The consequence of any decrease in assessed valuation is a corresponding increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the Series 2023 Bonds in full. However, increases in tax rates may impact the ability or willingness of taxpayers to pay their property taxes. See “– Tax Charges and Delinquencies” and “– Teeter Plan” below.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs. Any base year appeal must be made within four years of the change of ownership or new construction date.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (such pre-reduction level escalated by the annual inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIII A of the California Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2022-23 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is

approximately \$303.91 million, and its net bonding capacity is approximately \$218.32 million (taking into account current outstanding debt before the issuance of the Series 2023 Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries by political jurisdiction. The District is located entirely within the County and within portions of the cities of Colton, Fontana, Rialto, and San Bernardino, and unincorporated portions of the County for fiscal year 2022-23.

**RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Fiscal Year 2022-23 Assessed Valuation by Jurisdiction**

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Colton	\$ 658,913,747	5.42%	\$5,016,940,896	13.13%
City of Fontana	890,217,298	7.32	\$27,019,267,552	3.29%
City of Rialto	8,894,982,199	73.17	\$13,115,586,958	67.82%
City of San Bernardino	879,094,839	7.23	\$19,097,789,522	4.60%
Unincorporated San Bernardino County	833,235,316	6.85	\$42,962,663,648	1.94%
Total District	\$12,156,443,399	100.00%		
County of San Bernardino	\$12,156,443,399	100.00%	\$290,515,911,972	4.18%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2022-23 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Fiscal Year 2022-23 Assessed Valuation and Parcels by Land Use**

	2022-23 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
<u>Non-Residential:</u>				
Commercial	\$ 822,234,230	7.28%	476	1.52%
Professional/Office	101,423,741	0.90	82	0.26
Industrial	2,457,251,960	21.75	250	0.80
Recreational	27,252,097	0.24	19	0.06
Government/Social/Institutional	11,123,466	0.10	68	0.22
Miscellaneous	8,550,484	0.08	311	1.00
Subtotal Non-Residential	\$ 3,427,835,978	30.34%	1,206	3.86%
<u>Residential:</u>				
Single Family Residence	\$ 6,137,013,509	54.32%	23,505	75.22%
Condominium/Townhouse	563,845,475	4.99	1,793	5.74
Mobile Home	81,920,953	0.73	2,234	7.15
Mobile Home Park	88,444,773	0.78	35	0.11
2-4 Residential Units	150,235,600	1.33	487	1.56
5+ Residential Units/Apartments	316,936,798	2.81	78	0.25
Miscellaneous Residential	25,244,373	0.22	129	0.41
Improvements				
Subtotal Residential	\$ 7,363,641,481	65.17%	28,261	90.44%
Vacant Parcels	\$507,233,674	4.49%	1,783	5.71%
TOTAL	\$ 11,298,711,133	100.00%	31,250	100.00%

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

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2022-23, including the average and median per parcel assessed value.

**RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Fiscal Year 2022-23 Per Parcel Assessed Valuation of Single-Family Homes**

	Number of Parcels	2022-23 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	23,505	\$6,137,013,509	\$261,094	\$238,841

2022-23 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	48	0.204%	0.204%	\$ 779,595	0.013%	0.013%
\$25,000 - \$49,999	485	2.063	2.268	20,071,100	0.327	0.340
\$50,000 - \$74,999	553	2.353	4.620	34,143,082	0.556	0.896
\$75,000 - \$99,999	554	2.357	6.977	49,254,231	0.803	1.699
\$100,000 - \$124,999	982	4.178	11.155	111,900,036	1.823	3.522
\$125,000 - \$149,999	1,753	7.458	18.613	242,347,255	3.949	7.471
\$150,000 - \$174,999	2,200	9.360	27.973	357,768,441	5.830	13.301
\$175,000 - \$199,999	2,215	9.424	37.396	414,853,688	6.760	20.061
\$200,000 - \$224,999	2,030	8.636	46.033	430,243,872	7.011	27.071
\$225,000 - \$249,999	1,675	7.126	53.159	397,684,079	6.480	33.551
\$250,000 - \$274,999	1,487	6.326	59.485	390,600,868	6.365	39.916
\$275,000 - \$299,999	1,302	5.539	65.024	373,833,444	6.091	46.007
\$300,000 - \$324,999	1,135	4.829	69.853	354,313,714	5.773	51.781
\$325,000 - \$349,999	1,188	5.054	74.907	401,074,927	6.535	58.316
\$350,000 - \$374,999	1,158	4.927	79.834	419,457,904	6.835	65.151
\$375,000 - \$399,999	1,065	4.531	84.365	412,836,180	6.727	71.878
\$400,000 - \$424,999	945	4.020	88.385	388,998,820	6.339	78.217
\$425,000 - \$449,999	744	3.165	91.551	324,754,861	5.292	83.508
\$450,000 - \$474,999	621	2.642	94.193	286,980,952	4.676	88.185
\$475,000 - \$499,999	482	2.051	96.243	234,925,029	3.828	92.013
\$500,000 and greater	883	3.757	100.000	490,191,431	7.987	100.000
Total	23,505	100.000%		\$6,137,013,509	100.000%	

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

Largest Secured Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of secured taxable property in the District on the fiscal year 2022-23 tax roll, and the secured assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

**RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Largest Fiscal Year 2022-23 Local Secured Taxpayers**

	Property Owner	Primary Land Use	2022-23 Assessed Valuation	Percent of Total ⁽¹⁾
1.	Target Corporation	Industrial	\$ 362,847,936	3.21%
2.	Prologis-A4/Prologis/MacQuarie	Industrial	268,074,057	2.37
3.	Rialto Merrill Holdings LLC	Industrial	123,353,000	1.09
4.	GPT BTS Linden II Owner LP	Industrial	119,047,652	1.05
5.	Northwestern Mutual Life Insurance Co.	Industrial	112,545,045	1.00
6.	Fairfield Potomac Club LLC	Industrial	111,881,595	0.99
7.	USCLP CA Rialto2 LLC	Industrial	94,025,276	0.83
8.	AG Essential Housing CA 4 LP	Residential Land	91,800,000	0.81
9.	DCT Renaissance Rialto LLC	Industrial	83,104,599	0.74
10.	GPT BTS Linden Avenue Owner LP	Industrial	80,280,859	0.71
11.	Renaissance Commercial Property LLC	Shopping Center	73,146,726	0.65
12.	LBA RVI-Company XXVII LLC	Industrial	69,756,610	0.62
13.	Thrifty Oil Co.	Industrial	67,251,146	0.60
14.	Sierra Lakes Commerce LLC	Industrial	63,630,936	0.56
15.	Standard Foothill Venture LP	Apartments	59,160,000	0.52
16.	L/S Five Crescent Drive LP	Industrial	55,754,510	0.49
17.	ET Sub REIT LLC	Industrial	54,682,307	0.48
18.	Madison-Ind Locust CA LLC	Industrial	52,987,157	0.47
19.	100 Cedar Avenue LLC	Industrial	52,614,031	0.47
20.	Rialto 360 LLC	Apartments	49,930,984	0.44
			\$2,045,874,426	18.11%

⁽¹⁾ The fiscal year 2022-23 local secured assessed valuation is \$11,298,711,133.
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See "*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" above.

Tax Rates

General. The California Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Series 2023 Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2023 Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational,

hospital, charitable or religious purposes), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal or accreted value of and interest on the Series 2023 Bonds. Issuance of additional authorized bonds in the future could also cause the tax rate to increase.

Typical Tax Rate Area. The following table sets forth *ad valorem* property tax rates for the last five fiscal years in the typical tax rate area of the District (TRA 6-000). TRA 6-000 comprises approximately 15.26% of the total assessed value of taxable property in the District for fiscal year 2022-23.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Typical Total Tax Rates as Percentage of Assessed Valuation (TRA 6-000)⁽¹⁾
Fiscal Years 2018-19 through 2022-23

	2018-19	2019-20	2020-21	2021-22	2022-23
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Rialto Unified School District	0.0771	0.0848	0.0805	0.0829	0.0746
San Bernardino Community College District	0.0407	0.0562	0.0651	0.0534	0.0450
San Bernardino Valley Municipal Water	0.1525	0.1425	0.1425	0.1300	0.1300
Total Tax Rate	1.2703%	1.2835%	1.2881%	1.2663%	1.2496%

⁽¹⁾ Fiscal year 2022-23 assessed valuation of TRA 6-000 is \$1,855,273,550.
Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and the California Education Code, bonds approved pursuant to the 2022 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved under the 2022 Authorization will require a tax rate no greater than \$60.00 per \$100,000.00 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2023 Bonds, the District projects that the maximum tax rate required to repay the Series 2023 Bonds under the 2022 Authorization will be within that legal limit. The tax rate limitation applies only when new bonds are issued and does not restrict the authority of the Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2023 Bonds and any other series of bonds issued under the 2022 Authorization in each year.

Tax Charges and Delinquencies

General. A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Series 2023 Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The Treasurer-Tax Collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a \$10 fee is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties,

and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the Treasurer-Tax Collector. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty and a \$28 fee attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the Treasurer-Tax Collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The Treasurer-Tax Collector may also bring a civil suit against the taxpayer for payment.

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of a pandemic or a natural or manmade disaster, such as earthquake, drought, flood, fire or toxic dumping. However, the County has adopted the Teeter Plan (defined herein), according to which the County distributes to the District the amount levied on the secured and supplemental tax rolls, instead of the amount actually collected. For more information, see "– Teeter Plan" below. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression could impact the ability or willingness of property owners within the District to pay property taxes in the future. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Infectious Disease Outbreak." If delinquencies increase substantially as a result of events outside the control of the District, the County has the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

The County does not provide the secured tax charges and corresponding delinquencies for the general obligation bond debt service levy with respect to property located within the District. While some counties also provide information on the secured tax charges and corresponding delinquencies for the portion of the County's 1% general fund levy that is allocated to the District with respect to property located in the District as an indication of comparative delinquency rates, the County does not provide such information. The portion of the County's 1% general fund levy that is allocated to the District is not pledged to and does not secure the repayment of the Series 2023 Bonds. See "– Teeter Plan" below.

Teeter Plan

The Board of Supervisors has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including school districts, receives the full amount of uncollected taxes levied on the secured tax roll credited to its fund, in the same manner as if the full amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The County applies the Teeter Plan to taxes levied for repayment of school district general obligation bonds on the secured tax roll. There can be no assurances that the County will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. However, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Series 2023 Bonds when due.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. The District is not aware of any plans by the Board of Supervisors to discontinue the Teeter Plan.

Direct and Overlapping Debt

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics, Inc. effective June 9, 2023 for debt outstanding as of June 1, 2023. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth 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 set forth in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. 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.

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RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Statement of Direct and Overlapping Bonded Debt

June 9, 2023

2022-23 Assessed Valuation: \$12,156,443,399

	<u>% Applicable</u>	<u>Debt 6/1/23</u>
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Metropolitan Water District	0.040%	\$ 7,686
San Bernardino Community College District	13.151	93,110,129
Rialto Unified School District	100.000	85,586,514 ⁽¹⁾
City of Fontana Community Facilities District No. 71	100.000	5,015,000
City of Rialto Community Facilities District No. 2006-1	100.000	4,050,000
City of Rialto Community Facilities District No. 2019-2	100.000	4,875,000
San Bernardino County Community Facilities Districts	34.091-74.059	8,918,087
California Statewide Communities Development Authority Assessment District 22-01	100.000	1,435,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$202,997,416</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	4.184%	\$ 6,730,382
San Bernardino County Pension Obligation Bonds	4.184	2,634,246
San Bernardino County Flood Control District General Fund Obligations	4.184	1,718,160
Rialto Unified School District Certificates of Participation	100.000	7,329,915
City of Colton General Fund and Pension Obligation Bonds	13.134	2,938,653
City of Fontana Certificates of Participation	3.295	1,688,852
City of Rialto Certificates of Participation	67.820	6,956,470
City of San Bernardino General Fund Obligation and Pension Obligation Bonds	4.603	911,624
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$ 30,908,302</u>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		\$ 73,894,134
COMBINED TOTAL DEBT		\$307,799,852⁽²⁾

Ratios to 2022-23 Assessed Valuation:

Direct Debt (\$85,586,514).....	0.70%
Total Direct and Overlapping Tax and Assessment Debt.....	1.67%
Combined Direct Debt (\$92,916,429).....	0.76%
Combined Total Debt	2.53%

Ratio to Redevelopment Incremental Valuation (\$5,287,751,919):

Total Overlapping Tax Increment Debt	1.40%
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⁽¹⁾ Excludes the Series 2023 Bonds. Also excludes accreted value.

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

Source: California Municipal Statistics, Inc.

BOND INSURANCE FOR INSURED BONDS

There follows under this caption certain information concerning the terms of the Policy and BAM that has been supplied by BAM for inclusion in the Official Statement. No representation is made by the District as to the accuracy, completeness or adequacy of such information, nor as to the absence of material adverse changes in such information subsequent to the date hereof. The District has not made any independent investigation of BAM or the Policy, and reference is made to the information set forth below and in Appendix G hereto for a description thereof.

Bond Insurance Policy

Concurrently with the issuance of the Series 2023 Bonds, BAM will issue its Policy for the Insured Bonds. The Policy guarantees the scheduled payment of principal (or, in the case of Capital Appreciation Bonds, the accreted value) of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: **www.buildamerica.com**.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at **www.standardandpoors.com**. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Insured Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Insured Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Insured Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Insured Bonds, nor does it guarantee that the rating on the Insured Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$476.6 million, \$196.7 million and \$279.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been

reviewed or approved by the issuer of or the underwriters for the Insured Bonds, and the issuer and underwriters assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Insured Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Insured Bonds, whether at the initial offering or otherwise.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2023 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2023 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Series 2023 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2023 Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C.

To the extent the issue price of any maturity of the Series 2023 Bonds is less than the amount to be paid at maturity of such Series 2023 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2023 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2023 Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2023 Bonds is the first price at which a substantial amount of such maturity of the Series 2023 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2023 Bonds accrues daily over the term to maturity of such Series 2023 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2023 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2023 Bonds. Beneficial Owners of the Series 2023 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2023 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2023 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2023 Bonds is sold to the public.

Series 2023 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2023 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2023 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2023 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2023 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2023 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2023 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2023 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2023 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2023 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2023 Bonds. Prospective purchasers of the Series 2023 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2023 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2023 Bonds ends with the issuance of the Series 2023 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2023 Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2023 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2023 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the Series 2023 Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Series 2023 Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the Series 2023 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2023 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2023 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series 2023 Bonds at the time of issuance substantially in the form set forth in Appendix C. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, for the District by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, as counsel to the District; and for the Underwriters by Norton Rose Fulbright US LLP, as counsel to the Underwriters.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series 2023 Bonds are legal investments for commercial banks in the State to the extent that the Series 2023 Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the California Government Code, the Series 2023 Bonds are eligible securities for deposit of public monies in the State.

Continuing Disclosure

The District will covenant under the Continuing Disclosure Certificate to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the “EMMA System”) certain annual 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 (currently ending June 30), commencing with the report for fiscal year 2022-23 (such initial Annual Report due no later than April 1, 2024) and notice of the occurrence of certain enumerated events (“Notice Events”) in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made for the benefit of the holders and Beneficial Owners of the Series 2023 Bonds

in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”).

KNN Public Finance, LLC currently serves as the District’s dissemination agent in connection with each of the District’s prior continuing disclosure undertakings pursuant to the Rule and will serve as dissemination agent in connection with the continuing disclosure undertaking pursuant to the Rule relating to the Series 2023 Bonds.

Litigation

The District is occasionally subject to lawsuits and claims. There are currently two claims pending against the District from incidents of alleged childhood sexual assault dating to 1993 and 2001 brought under Assembly Bill 218 (“AB 218”), which became effective on January 1, 2020. Pursuant to AB 218, certain changes were made to the claim prerequisites, available damages and the applicable statute of limitations periods for claims of childhood sexual assault, including claims against public entities like the District. With respect to claims that otherwise would have been barred as of January 1, 2020, AB 218 revived such claims for a period of three years, which period expired on December 31, 2022. The expiration of the three year revival period, however, does not impact a plaintiff’s ability to bring a claim of childhood sexual assault pursuant to the extended statute of limitations periods under AB 218. Since the District is in the early stages of litigating the two AB 218 claims, the District cannot predict the extent of its potential liability, whether the plaintiffs will prevail, and if so, how a final court decision or settlement agreement with respect to each such lawsuit may affect the financial status, policies or operations of the District, as the nature of the court’s remedy and the responses thereto are unknown at the present time. However, at this time, the District expects both AB 218 claims will be covered by insurance, which is subject to a deductible and provides that the District is responsible for paying one-third of any settlement agreement that may result from such claims.

The District is also defending itself and three employees in a civil lawsuit involving claims related to failure to report complaints of sexual assault made by students. The three employees are also defendants in a related criminal case. Since the resolution of the criminal case will impact the resolution of the civil case, the District cannot predict the timing of resolution, the extent of its potential liability, and how a final court decision or settlement agreement may affect the financial status, policies or operations of the District, as the nature of the court’s remedy and the responses thereto are unknown at the present time. Nonetheless, at this time, the District expects any liability resulting from the civil lawsuit will be covered by insurance, which is subject to a deductible and provides that the District is responsible for paying one-third of any settlement agreement that may result from such lawsuit.

In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under the lawsuit and claims described and others pending against the District will not materially affect the financial position or operations of the District. The District does not expect any expenses or liabilities incurred in defending such lawsuits or claims, including those resulting from a final court decision or settlement agreement, to have a materially adverse effect on the District’s ability to pay debt service on the Series 2023 Bonds because the Series 2023 Bonds are payable from *ad valorem* taxes that the Board of Supervisors of the County is empowered and obligated to levy upon all property subject to taxation by the District, without limitation as to rate or amount. Such *ad valorem* taxes are deposited by the County in the Interest and Sinking Fund to be used solely for the payment of the principal or redemption price of and interest on the Series 2023 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS” herein.

No litigation is pending or threatened concerning or contesting the validity of the Series 2023 Bonds or the District’s ability to receive *ad valorem* taxes and to collect other revenues, or contesting the

District's ability to issue and retire the Series 2023 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series 2023 Bonds or District officials who will sign certifications relating to the Series 2023 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriters at the time of the original delivery of the Series 2023 Bonds.

FINANCIAL STATEMENTS

The District's audited financial statements for fiscal year ended June 30, 2022 are included in Appendix B. Such financial statements have been audited by Eide Bailly, Rancho Cucamonga, California ("Eide Bailly"). The District has not requested nor has the District obtained the consent of Eide Bailly to the inclusion of its report in Appendix B. Eide Bailly has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Eide Bailly has not been requested to perform and has not performed any procedures relating to the Official Statement.

MISCELLANEOUS

Ratings

Moody's Investors Service Inc. and S&P have assigned their uninsured ratings of "Aa3" and "A+," respectively, to the Series 2023 Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions as well as information and materials furnished to them (which may include information and materials from the District, which are not included in this Official Statement). The ratings reflect only the view of the rating agency furnishing the same, and any explanation of the significance of such ratings should be obtained only from the rating agency providing the same. Such ratings are not a recommendation to buy, sell or hold the Series 2023 Bonds. There is no assurance that any ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2023 Bonds. Neither the Underwriters nor the District has undertaken any responsibility after the offering of the Series 2023 Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

In addition, S&P has assigned its insured rating of "AA" to the Insured Bonds with the understanding that, upon delivery of the Insured Bonds, the Policy will be delivered by BAM. See "BOND INSURANCE FOR INSURED BONDS." Such rating is expected to be assigned solely as a result of the issuance of the Policy and will reflect only the rating agency's view of the claims-paying ability and financial strength of BAM. Neither the District nor the Underwriters have made any independent investigation of the claims-paying ability of BAM and no representation is made that any insured rating of the Insured Bonds based upon the purchase of the Policy will remain higher than the rating agency's uninsured rating of the Insured Bonds described above, which did not take bond insurance into account. The existence of the Policy will not, of itself, negatively affect such uninsured rating. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal or accreted value of and interest on the Insured Bonds and the claims paying ability of BAM, particularly over the life of the investment. Without regard to any bond insurance, the Insured Bonds are payable from the proceeds of an *ad valorem* tax approved by the voters of the District pursuant to all applicable laws and constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal or accreted value of and interest on the Insured Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE

SERIES 2023 BONDS.” However, any downward revision or withdrawal of any rating of BAM may have an adverse effect on the market price or the marketability (liquidity) for the Insured Bonds.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series 2023 Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series 2023 Bonds. California Financial Services is acting as the District’s municipal advisor (the “Municipal Advisor”) with respect to the Series 2023 Bonds. Norton Rose Fulbright US LLP, Los Angeles, California, is acting as counsel to the Underwriters with respect to the Series 2023 Bonds. Payment of the fees and expenses of the Municipal Advisor and counsel to the Underwriters is also contingent upon the sale and delivery of the Series 2023 Bonds.

Underwriting

The Series 2023 Bonds are being purchased for reoffering to the public by Piper Sandler & Co., on behalf of itself and as representative of Loop Capital Markets LLC (the “Underwriters”) pursuant to the terms of a bond purchase agreement executed on June 21, 2023 (the “Purchase Agreement”), by and between the Underwriters and the District. The Underwriters have agreed to purchase the Series 2023 Bonds at a price of \$82,164,073.53 (which represents the aggregate initial principal amount of the Series 2023 Bonds, plus net original issue premium of \$2,527,697.50, and less Underwriters’ discount in the amount of \$359,983.62). The Purchase Agreement provides that the Underwriters will purchase all of the Series 2023 Bonds, subject to certain terms and conditions set forth in the Purchase Agreement.

The Underwriters may offer and sell the Series 2023 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices set forth on the inside front cover page of this Official Statement. The public offering prices may be changed from time to time by the Underwriters.

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

Piper Sandler & Co., an underwriter of the Series 2023 Bonds, has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the Series 2023 Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase the Series 2023 Bonds from Piper Sandler & Co. at the original issue price less a negotiated concession applicable to any Series 2023 Bonds that CS&Co. sells.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2023 Bonds. Quotations from and summaries and explanations of the Series 2023 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2023 Bonds.

The District has duly authorized the delivery of this Official Statement.

RIALTO UNIFIED SCHOOL DISTRICT

By: /s/ Cuauhtémoc Avila, Ed.D.
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

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The information in this appendix concerning the operations of the Rialto Unified School District (the “District”), the District’s finances, and State of California (the “State”) funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2023 Bonds is payable from the general fund of the District or from State revenues. The Series 2023 Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and requirements of the Constitution of the State (the “California Constitution”), and required to be levied by the County of San Bernardino (the “County”) on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2023 Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2023 BONDS” in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District was founded in 1891 and has operated as a unified school district since 1964. The District provides preschool, elementary and secondary educational services to residents of an area of the County encompassing approximately 55 square miles that includes the City of Rialto, the western portion of the City of San Bernardino, small segments of the cities of Colton and Fontana and some unincorporated County territory. The District currently operates 19 elementary schools, five middle schools, three comprehensive high schools, one continuation high school, one virtual academy, and one adult education school. Total enrollment in the District was approximately 24,098 students in fiscal year 2021-22 and approximately 23,778 students in fiscal year 2022-23. As of the preparation of the District’s fiscal year 2023-24 budget (the “Fiscal Year 2023-24 Budget”), total enrollment in the District is budgeted to be approximately 23,395 students in fiscal year 2023-24. The District operates under the jurisdiction of the San Bernardino County Superintendent of Schools. Total assessed valuation of taxable property in the District in fiscal year 2022-23 is approximately \$12.16 billion.

Board of Education

The District is governed by a five-member Board of Education (the “Board of Education”), each member of which is a voting member. The members are elected at-large to four-year terms in alternate slates of two and three, and elections are held every two years. Beginning with the November 2022 election, the District is transitioning to a “trustee area” election system, where each trustee resides within one of five “areas” of the District, but each member is still elected at-large. As such, only the two board members elected in November 2022 are assigned to a specific “area” of the District. Each December the Board of Education elects a President, Vice President and Clerk to serve one-year terms. Current voting members of the Board of Education, together with their office, their trustee area, if applicable, and the date their current term expires, are set forth in the following table.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)

Board of Education

Name	Office	Trustee Area ⁽¹⁾	Term Expires
Stephanie E. Lewis	President	N/A	December 2024
Nancy G. O’Kelley	Vice President	N/A	December 2024
Joseph W. Martinez	Clerk	N/A	December 2024
Evelyn Dominguez	Member	5	December 2026
Edgar Montes	Member	3	December 2026

⁽¹⁾ Reflects the area of the District in which each Board of Education member resides, if applicable. However, each member is still elected at-large. For more information, see “– Board of Education” above.

Superintendent and Business Services Personnel

General. The Superintendent of the District is appointed by the Board of Education. The Superintendent reports directly to the Board of Education. The Lead Business Services Agent is hired by and reports directly to the Superintendent. The Superintendent is responsible for management of the District’s day-to-day operations and supervises the work of other key District administrators, including the Lead Business Services Agent. The current Superintendent, Dr. Cuauhtémoc Avila, has served in this position since July 2015. The Lead Business Services Agent is responsible for management of the District’s finances and business operations. Diane Romo has served as the Lead Business Services Agent since April 2021.

Dr. Cuauhtémoc Avila, Superintendent. Prior to joining the District, Dr. Avila served as the Assistant Superintendent of Educational Programs for the Los Angeles County Office of Education. Dr. Avila also previously served as Principal of Alternative Education and Director of Educational Services for the Glendale Unified School District for five years. Dr. Avila began his career in public education in 1997, serving as a high school principal, middle school principal, elementary principal, curriculum specialist and middle school teacher for the Compton Unified School District. Dr. Avila earned a bachelor’s degree in Sociology from the University of California, Los Angeles, a master’s degree in Educational Administration from California State University, Dominguez Hills, and a doctoral degree in Educational Leadership from the University of Southern California.

Diane Romo, Lead Business Services Agent. Prior to joining the District in 2011, Mrs. Romo served as a financial auditor for an accounting firm that specialized in school districts. Mrs. Romo began her career with the District in 2011 as Fiscal Services Supervisor until 2014, when she became Lead Fiscal Services Agent. In 2021, Mrs. Romo began serving in her current role as Lead Business Services Agent. Mrs. Romo earned her Bachelor of Science degree in Accounting from the University of Redlands and her Chief Business Official Certification through California Association of School Business Officials. She is also a licensed Certified Public Accountant.

Cybersecurity

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational and operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, vendors and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. In August 2020, the District experienced a cybersecurity incident that prevented the District from accessing its servers and systems,

including access to user accounts, email, and software applications. In response to such incident, the District engaged third-party forensic auditors and information technology professionals to investigate, contain, and remediate the incident. The District also notified and collaborated with local and federal law enforcement agencies in the investigation of the incident. Although the District was not able to identify the threat actor, the District was able to identify, contain, and remediate the malware, and it has not found evidence of additional malware related to the incident or any other persistent malicious activity on its network or systems. In September 2020, the District restored access to its servers and systems, including access to user accounts, email, and software applications. The District's third-party forensic auditor determined that there was no breach of personal data as a result of the incident. Further, the District did not pay a ransom in connection with the incident.

Since the incident occurred during the height of the COVID-19 pandemic, the District was providing instruction exclusively through distance learning. Because students required access to the District's information technology systems to engage in distance learning, students were unable to receive instruction during the time that the District's systems were suspended. The District received a waiver from the State for lost instructional time during the month of August 2020 and was not penalized during such time. Due to the different information technology systems used in grade levels TK through eight, students in such grades were able to resume distance learning by the end of August 2020. In September 2020, however, the District lost approximately four days of instructional time for grade levels nine through twelve as a result of the incident. While the District applied for a waiver for the four days of lost instructional time, the State initially only waived two of the four days of lost instructional time, which resulted in a loss of approximately \$1.08 million in LCFF funding during fiscal year 2020-21 as described in the related audit finding in pages 109-110 of the District's audited financial statements for fiscal year 2021-22 in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022." Subsequent to the preparation of the District's audited financial statements for fiscal year 2021-22, the State waived the District's reimbursement of approximately \$1.08 million that would otherwise be required for the lost instructional time. Further, staff had limited functionality without access to the District's servers and systems, and access was prioritized to staff providing critical business functions to maintain certain administrative operations.

The District has since implemented next generation protocols to protect against future cybersecurity incidents. As a result, the District expects that any such disruptions caused by a cybersecurity incident would be temporary in nature. In addition, the District has implemented internal cybersecurity training for District employees and policies to reinforce the District's security systems. The District currently maintains cyber liability insurance through Southern California ReLIEF ("SCR"). For more information on SCR, see "DISTRICT FINANCIAL MATTERS – Insurance, Risk Pooling and Joint Powers Agreements." There can be no assurance that a future cybersecurity incident or attempted cybersecurity incident would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") (see "*Allocation of State Funding to School Districts; Local Control Funding Formula*") and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the California Constitution (see "*Local Property Tax Revenues*"). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. As of the fiscal year 2022-23 estimated actuals (the "Fiscal

Year 2022-23 Estimated Actuals”), the District estimates it will receive approximately 78.72% of its general fund revenues from State funds (not including the local portion derived from the District’s share of the local *ad valorem* tax), estimated at approximately \$400.88 million in fiscal year 2022-23. As of the Fiscal Year 2023-24 Budget, the District budgets it will receive approximately 74.64% of its general fund revenues from State funds (not including the local portion derived from the District’s share of the local *ad valorem* tax), budgeted at approximately \$381.77 million in fiscal year 2023-24. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see “– *Allocation of State Funding to School Districts; Local Control Funding Formula*,” “– *Enrollment, A.D.A. and LCFF*” and “– *Other District Revenues – Other State Revenues*” below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District’s revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by voters of the State in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the California Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State’s general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented the LCFF. Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See “– *Allocation of State Funding to School Districts; Local Control Funding Formula*” for more information.

State Budget Process. According to the California Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two-thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2023-24 State budget on June 27, 2023 (the “2023-24 State Budget”).

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district’s State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a California Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the California Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the

District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

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

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

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State's response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force the State to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by deferring apportionments of Proposition 98 funds from one fiscal year to the next, as the State did in fiscal years 2019-20 and 2020-21; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the California Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2023 Bonds, and the District takes no responsibility for informing owners of the Series 2023 Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In

addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2022-23 State Budget. The Governor signed the fiscal year 2022-23 State budget on June 27, 2022, which was amended through a series of legislative bills, many of which were signed by the Governor on June 30, 2022 (as amended, the “2022-23 State Budget”). The 2022-23 State Budget reflected a strong State economy, which had strengthened the State’s fiscal health and provided record levels of available general fund and Proposition 98 resources that the 2022-23 State Budget allocates. Even when adopted the 2022-23 State Budget noted economic warning signs in the coming years. Accordingly, with approximately \$37.2 billion in budgetary reserves, the 2022-23 State Budget continued building reserves by eliminating budgetary debt, reducing retirement liabilities, and focusing on one-time spending over ongoing investments to maintain structurally balanced budgets over the long term. Specifically, the 2022-23 State Budget allocated 92% of the discretionary surplus to one-time investments that can be adjusted in future years, as needed. Citing the record high inflationary conditions nationwide, the 2022-23 State Budget included an added inflation adjustment beginning in fiscal year 2023-24 reflecting that State services are likely to cost more than currently estimated. Since the Governor signed the 2022-23 State Budget, risks to the State’s economic outlook have been realized, and revenues have continually fallen short of monthly estimates. As a result, the 2023-24 May Revision (as defined herein) recognizes that the State may be facing a total budget shortfall of approximately \$31.5 billion in fiscal year 2023-24. For more information on the 2023-24 May Revision, see “– *May Revision to Proposed 2023-24 State Budget.*” Certain limited information from the 2022-23 State Budget relating to the funding of education is provided herein as a historical baseline solely for context and reference.

The 2022-23 State Budget projects total resources available in fiscal year 2021-22 of approximately \$265.4 billion, including revenues and transfers of approximately \$227.1 billion and a prior year balance of approximately \$38.3 billion, and total expenditures in fiscal year 2021-22 of approximately \$242.9 billion. The 2022-23 State Budget projects total resources available for fiscal year 2022-23 of approximately \$242.2 billion, inclusive of revenues and transfers of approximately \$219.7 billion and a prior year balance of approximately \$22.5 billion. The 2022-23 State Budget projects total expenditures in fiscal year 2022-23 of approximately \$234.4 billion, inclusive of non-Proposition 98 expenditures of approximately \$152.1 billion and Proposition 98 expenditures of approximately \$82.3 billion. The 2022-23 State Budget includes \$37.2 billion in reserves in fiscal year 2022-23 and allocates reserves as follows: approximately \$23.3 billion in the State Rainy Day Fund for fiscal emergencies, approximately \$9.5 billion in the Proposition 98 Rainy Day Fund (also known as the “Public School System Stabilization Account”), approximately \$900 million in the Safety Net Reserve, and approximately \$3.5 billion to the State’s Special Fund for Economic Uncertainties. In addition, the 2022-23 State Budget allocates approximately \$4.3 billion of the State general fund’s projected fund balance in fiscal year 2022-23 to the State’s Reserve for Liquidation of Encumbrances. The State Rainy Day Fund is at its constitutional maximum of 10% of State general fund revenues, requiring approximately \$465 million to be dedicated for infrastructure investments in fiscal year 2022-23. Over the multi-year forecast period, the 2022-23 State Budget reflects approximately \$8 billion in supplemental deposits split evenly between the State Rainy Day Fund and the Safety Net Reserve. Such deposits are above what is constitutionally required. The 2022-23 State Budget estimates that the State will be below its appropriations limit (referred to as the “Gann Limit”) for fiscal year 2022-23 as a result of statutory changes in connection with the 2022-23 State Budget.

The 2022-23 State Budget includes total funding of \$128.6 billion for all K-12 education programs, including \$78.6 billion from the State’s general fund and \$50 billion from other funds. Per-pupil funding

is at the highest levels for school districts in the State's history, totaling \$16,993 per pupil in Proposition 98 funding and \$22,893 per pupil when accounting for all funding sources.

Certain budgeted programs and adjustments for K-12 education set forth in the 2022-23 State Budget include the following:

- Proposition 98 Minimum Guarantee. The 2022-23 State Budget projects increased Proposition 98 funding, resulting in funding estimates of \$96.1 billion in fiscal year 2020-21, \$110.2 billion in fiscal year 2021-22, and \$110.4 billion in fiscal year 2022-23, due to a significant increase in projected revenues for fiscal years 2020-21 through 2022-23. Such funding represents a historically high three-year increase in the minimum guarantee of roughly \$35.8 billion over the level funded in the fiscal year 2021-22 State budget.
- Proposition 98 Rainy Day Fund (Public School System Stabilization Account). The 2022-23 State Budget includes payments required to be made to the Proposition 98 Rainy Day Fund in fiscal years 2020-21 through 2022-23 for a total account balance of \$9.5 billion at the end of fiscal year 2022-23. The balance of approximately \$7.1 billion in fiscal year 2021-22 triggers a cap on school district reserves beginning in fiscal year 2022-23. For more information, see “– School District Reserves” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 751.”
- Local Control Funding Formula. The 2022-23 State Budget includes a LCFF cost-of-living adjustment of 6.56%, which is the largest cost-of-living adjustment in the history of LCFF. The 2022-23 State Budget also includes approximately \$4.3 billion in ongoing Proposition 98 general fund resources to provide an approximately 6.28% discretionary increase in Base Grant funding to address ongoing fiscal pressures, staffing shortages, and other operational needs of local educational agencies. This discretionary increase, together with the cost-of-living adjustment, results in an increase of approximately 13% in Base Grant amounts from fiscal year 2021-22. Lastly, the 2022-23 State Budget includes approximately \$101.2 million in ongoing Proposition 98 general fund resources to augment LCFF funding for county offices of education, which face similar cost pressures to school districts and charter schools.
- Declining Enrollment Protections. To support the fiscal stability of all local educational agencies, including those with a declining student population, the 2022-23 State Budget allows school districts to use the greater of current year or prior year average daily attendance or an average of the three prior years' average daily attendance to calculate LCFF funding. Further, to minimize reductions in LCFF funding that would otherwise occur due to increased absences in fiscal year 2021-22, the 2022-23 State Budget enables all classroom-based local educational agencies that can demonstrate they provided independent study offerings to students in fiscal year 2021-22 to be funded at the greater of their average daily attendance or their enrollment adjusted for pre-COVID-19 absence rates in fiscal year 2021-22. The 2022-23 State Budget reflects approximately \$2.8 billion in ongoing Proposition 98 general fund resources and approximately \$413 million in one-time Proposition 98 general fund resources to implement such policies.
- Block Grants. The 2022-23 State Budget establishes the Learning Recovery Emergency Fund and appropriates approximately \$7.9 billion in one-time Proposition 98 general fund resources to support the Learning Recovery Emergency Block Grant, which will support local educational agencies in establishing learning recovery initiatives through the 2027-28 school year. Such funds may be expended on instructional learning time, closing learning gaps, pupil supports, instruction, and academic services. The 2022-23 State Budget also provides approximately \$3.6 billion in one-time Proposition 98 general fund resources for grants to be spent on arts and music programs,

standards-aligned professional development, instructional materials, development of diverse book collections, operational costs, and expenses related to the COVID-19 pandemic through the 2025-26 school year.

- Expanded Learning Opportunities Program. The 2022-23 State Budget increases investments in the Expanded Learning Opportunities Program by approximately \$3 billion in ongoing Proposition 98 general fund resources, bringing the ongoing program total to \$4 billion. Beginning in fiscal year 2023-24, local educational agencies will be required to offer expanded learning opportunities to all low-income students, English language learners, and youth in foster care in the State. The 2022-23 State Budget assumes that full fiscal implementation of the program will take place by fiscal year 2025-26.
- Transitional Kindergarten. The 2022-23 State Budget provides approximately \$614 million in ongoing Proposition 98 general fund resources beginning in fiscal year 2022-23 to support the first year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and February 2. The 2022-23 State Budget also provides approximately \$383 million in Proposition 98 general fund resources to provide one additional certificated or classified staff person in each transitional kindergarten classroom. Lastly, the 2022-23 State Budget increases the pipeline of qualified transitional kindergarten teachers by allowing the Commission on Teaching Credentialing to issue a one-year emergency specialist teaching permit in early childhood education to certain eligible individuals.
- State Preschool Program. The 2022-23 State Budget includes the following investments in pre-kindergarten education: approximately \$312.7 million in Proposition 98 general fund resources and \$172.3 million in general fund resources to increase State Preschool Program adjustment factors for students with disabilities, dual language learners, and childhood mental health; approximately \$300 million in one-time Proposition 98 general fund resources for planning and implementation of grants for all local educational agencies; approximately \$250 million in one-time Proposition 98 general fund resources to support a program that funds infrastructure to support general education and special education students in inclusive classrooms; approximately \$166.2 million in Proposition 98 general fund resources to support the full-year costs of State preschool rate increases that began January 1, 2022; and approximately \$10.5 million in one-time Proposition 98 general fund resources and \$10.8 million in one-time non-Proposition 98 general fund resources to waive the family share of cost for children participating in the State Preschool Program. The 2022-23 State Budget includes a hold harmless provision that allows State Preschool providers to receive reimbursement for maximum authorized care for the 2022-23 school year.
- Educator Workforce. The fiscal year 2021-22 State budget included \$2.9 billion to accelerate the preparation and support the training and retention of well-prepared educators. To further support such effort, the 2022-23 State Budget includes an additional \$48.1 million in general fund resources. In addition, the 2022-23 State Budget provides approximately \$250 million in one-time Proposition 98 general fund resources to expand residency slots for teachers and school counselors. Lastly, the 2022-23 State Budget invests approximately \$85 million in one-time Proposition 98 general fund resources to create pre-kindergarten through 12th grade educator resources and professional learning to implement STEM educator support initiatives; and approximately \$35 million in one-time Proposition 98 general fund resources over three years to continue the work of the Educator Workforce Investment Grant program in the areas of computer science, special education, and support for English learners.
- School Transportation Programs. The 2022-23 State Budget includes approximately \$637 million in ongoing Proposition 98 general fund resources to support school transportation programs by

reimbursing local education agencies for up to 60% of their transportation costs in the prior year. In addition, the 2022-23 State Budget includes approximately \$1.5 billion in one-time Proposition 98 general fund resources, available over five years, to support greening school bus fleets through programs that will be operated by the California Air Resources Board and the California Energy Commission.

- Nutrition. The 2022-23 State Budget includes the following investments related to school meals: approximately \$596 million in Proposition 98 general fund resources to fund universal access to subsidized school meals and an additional \$611.8 million in ongoing Proposition 98 general fund resources to augment the State meal reimbursement rate sufficient to maintain meal reimbursement rates beginning in fiscal year 2022-23; approximately \$600 million in one-time Proposition 98 general fund resources, available over three years, for school kitchen infrastructure and equipment upgrades and training for food service employees; approximately \$100 million in one-time Proposition 98 general fund resources to support local educational agency procurement practices for plant-based or restricted diet meals; and approximately \$30 million in one-time general fund resources to establish additional farm to school demonstration projects with priority towards high-need schools.
- Special Education. The 2022-23 State Budget includes approximately \$500 million in ongoing Proposition 98 general fund resources for the special education funding formula, paired with certain policy changes to further the State's commitment to improving special education instruction and services. In addition, the 2022-23 State Budget provides approximately \$2 million in Proposition 98 general fund resources to support families of pupils with disabilities and approximately \$2 million in Proposition 98 general fund resources to create resources for inclusionary practices for families and communities.
- K-12 School Facilities. On November 8, 2016, voters of the State approved Proposition 51, which authorized \$7 billion in State general obligation bonds to support K-12 school facilities construction. The 2022-23 State Budget allocates the remaining Proposition 51 bond funds in the amount of approximately \$1.4 billion to support school construction projects and provides an additional investment of \$1.3 billion in one-time general fund resources to support new construction and modernization projects through the School Facility Program.

The complete 2022-23 State Budget is available from the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2023-24 State Budget. The Governor released the fiscal year 2023-24 proposed State budget (the "Proposed 2023-24 State Budget") on January 10, 2023, which reflected a revenue outlook that differs substantially from the last two years. Risks to the State's economic and revenue outlook highlighted in the 2022-23 State Budget have been realized, including continued high inflation, multiple federal reserve bank interest rate increases and further stock market declines. The last risk is particularly important to the State, as market-based compensation greatly influences the incomes of high-income Californians. Combined with a progressive income tax structure, this can have an outsized effect, both good and bad, on State revenues. Prior to accounting for solutions, the Proposed 2023-24 State Budget forecasted general fund revenues to be approximately \$29.5 billion lower than at the 2022-23 State Budget projections, and the State now faces an estimated budget gap of approximately \$22.5 billion in fiscal year 2023-24. Monthly revenue shortfalls have continued since the release of the Proposed 2023-24 State Budget, contributing to an additional budget shortfall at the 2023-24 May Revision estimated at approximately \$9.3 billion. As a result, the 2023-24 May Revision recognizes that the State may be facing a total budget shortfall of

approximately \$31.5 billion in fiscal year 2023-24. For more information on the 2023-24 May Revision, see “– *May Revision to Proposed 2023-24 State Budget.*” Certain limited information from the Proposed 2023-24 State Budget relating to the funding of education is provided herein as a historical baseline solely for context and reference.

The Proposed 2023-24 State Budget included the following actions to address the substantial downward revision in general fund revenues and close the budget gap:

- \$7.4 billion in funding delays for multiple items across fiscal years 2021-22 through 2023-24. The Proposed 2023-24 State Budget spreads such funding across the multi-year projections without reducing the total amount of funding through the multi-year projections.
- \$5.7 billion in spending reductions for various items across fiscal years 2021-22 through 2023-24 and removal of certain measures that were included in the 2022-23 State Budget to provide additional budget resilience, such as eliminating the \$3.0 billion included in the 2022-23 State Budget as an inflationary adjustment.
- \$4.3 billion in fund shifts from the general fund to other funds in fiscal years 2022-23 and 2023-24.
- \$3.9 billion in funding reductions for certain items in fiscal years 2020-21 through 2023-24, which will be restored if it is determined that sufficient funds will be available to cover certain commitments, thus “triggering” such restoration.
- \$1.2 billion in limited revenue generation and borrowing in fiscal year 2023-24.

In addition, the Proposed 2023-24 State Budget utilized a number of the resiliency measures in the 2022-23 State Budget to close shortfalls projected in the coming years, including eliminating planned redemption of certain callable bonds and deposits to reserve accounts. However, to preserve the State’s ability to respond to any potentially significant negative changes to the outlook in early 2023, the Proposed 2023-24 State Budget does not include draws on the State’s reserve accounts to close the budget gap.

The Proposed 2023-24 State Budget estimated total resources available in fiscal year 2022-23 of approximately \$261.6 billion, including revenues and transfers of approximately \$208.9 billion and a prior year balance of approximately \$52.7 billion, and total expenditures in fiscal year 2022-23 of approximately \$240.1 billion. The Proposed 2023-24 State Budget projected total resources available for fiscal year 2023-24 of approximately \$231.7 billion, inclusive of revenues and transfers of approximately \$210.2 billion and a prior year balance of approximately \$21.5 billion. The Proposed 2023-24 State Budget projected total expenditures in fiscal year 2023-24 of approximately \$223.6 billion, inclusive of non-Proposition 98 expenditures of approximately \$143.1 billion and Proposition 98 expenditures of approximately \$80.6 billion. The Proposed 2023-24 State Budget included approximately \$35.6 billion in reserves in fiscal year 2023-24 and allocated reserves as follows: approximately \$22.4 billion in the State Rainy Day Fund for fiscal emergencies, approximately \$8.5 billion in the Proposition 98 Rainy Day Fund (Public School System Stabilization Account), approximately \$900 million in the Safety Net Reserve, and approximately \$3.8 billion in the State’s Special Fund for Economic Uncertainties. The State Rainy Day Fund is at its constitutional maximum of 10% of State general fund revenues, requiring approximately \$951 million to be dedicated for infrastructure investments in fiscal year 2023-24.

The Proposed 2023-24 State Budget included total funding of approximately \$128.5 billion for all K-12 education programs, including approximately \$78.7 billion from the State’s general fund and approximately \$49.8 billion from other funds. Per-pupil funding was at the highest levels for school districts in the State’s history, totaling \$17,519 per pupil in Proposition 98 funding and \$23,723 per pupil when accounting for all funding sources.

Certain budgeted programs and adjustments for K-12 education set forth in the Proposed 2023-24 State Budget included the following:

- Proposition 98 Minimum Guarantee. The revised estimates of general fund revenues in the Proposed 2023-24 State Budget modestly reduced the Proposition 98 minimum guarantee, resulting in funding estimates of approximately \$110.4 billion in fiscal year 2021-22, \$106.9 billion in fiscal year 2022-23, and \$108.8 billion in fiscal year 2023-24, representing a three-year decrease in the minimum guarantee of approximately \$4.7 billion over the level funded in the 2022-23 State Budget.
- Local Property Tax Adjustments. The Proposed 2023-24 State Budget included a decrease of \$153 million in Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2022-23, and a decrease of \$1.3 billion in ongoing Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2023-24, as a result of increased offsetting property taxes.
- Proposition 98 Rainy Day Fund (Public School System Stabilization Account). The Proposed 2023-24 State Budget included payments required to be made to the Proposition 98 Rainy Day Fund in fiscal years 2021-22 through 2023-24 for a total account balance of approximately \$8.5 billion at the end of fiscal year 2023-24. As indicated in the Proposed 2023-24 State Budget, the balance of approximately \$8.1 billion in fiscal year 2022-23 continues to trigger a cap on school district reserves in fiscal year 2023-24. For more information, see “– School District Reserves” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – *SB 751*.”
- Local Control Funding Formula and Equity Multiplier. The Proposed 2023-24 State Budget included a LCFF cost-of-living adjustment of approximately 8.13%, which was the highest cost-of-living adjustment in recent history of the LCFF. When combined with growth adjustments, this increase will result in approximately \$4.2 billion in additional discretionary funds for local educational agencies. To fully fund this increase and to maintain the level of current year LCFF apportionments, the Proposed 2023-24 State Budget included approximately \$613 million in one-time resources and \$1.4 billion in one-time resources to support the ongoing cost of LCFF in fiscal years 2022-23 and 2023-24, respectively. Lastly, the Proposed 2023-24 State Budget included approximately \$300 million in ongoing Proposition 98 general fund resources to establish an equity multiplier as an add-on to the LCFF to accelerate learning gains and close opportunity gaps. Such funding will be allocated to local educational agencies based on school-site eligibility, using a more targeted methodology than the existing Supplemental Grant eligibility.
- Block Grants. The Proposed 2023-24 State Budget included approximately \$7.9 billion in one-time Proposition 98 general fund resources to support the Learning Recovery Emergency Block Grant, which supports local educational agencies in establishing and expanding learning recovery initiatives. Such funds may be expended on expanded instructional time, tutoring, or other one-on-one or small group learning supports, and learning recovery programs. The Proposed 2023-24 State Budget also included approximately \$1.5 billion in one-time general fund resources for the Educator Effectiveness Block Grant to train school staff in high-need topics, including literacy.
- Arts and Cultural Enrichment. On November 8, 2022, voters of the State approved Proposition 28, which requires approximately one percent of the Proposition 98 minimum guarantee to be allocated to schools to increase arts instruction and/or arts programs in public education. As a result, the Proposed 2023-24 State Budget included approximately \$941 million to fund Proposition 28. Given this investment and the need for one-time funds to cover the costs of the LCFF in fiscal years

2022-23 and 2023-24, the Proposed 2023-24 State Budget reflected a reduction of approximately \$1.2 billion from the Arts, Music, and Instructional Materials Discretionary Block Grant included in the 2022-23 State Budget, taking the one-time allocation from approximately \$3.5 billion to \$2.3 billion in Proposition 98 general fund resources. The Proposed 2023-24 State Budget also proposed approximately \$100 million in one-time Proposition 98 general fund resources to enable local educational agencies to provide high school seniors with access to cultural enrichment experiences across the State.

- Transitional Kindergarten. The Proposed 2023-24 State Budget revised estimates for the first-year investment in transitional kindergarten from \$614 million to approximately \$604 million to expand eligibility for transitional kindergarten to all children turning five-years-old between September 2 and February 2 and revises the first-year investment from \$383 million to approximately \$337 million to add one additional certificated or classified staff person to every transitional kindergarten classroom. The Proposed 2023-24 State Budget also included approximately \$690 million to implement the second year of transitional kindergarten expansion to all children turning five-years-old between September 2 and April 2 and approximately \$165 million to support the addition of one additional certificated or classified staff person to transitional kindergarten classrooms. According to the Proposed 2023-24 State Budget, full implementation of universal transitional kindergarten is expected in fiscal year 2025-26.
- State Preschool Program. The Proposed 2023-24 State Budget proposed the following investments in pre-kindergarten education: approximately \$64.5 million in Proposition 98 general fund resources and \$51.8 million in general fund resources to continue a multi-year plan to ramp up the State Preschool Program. The Proposed 2023-24 State Budget proposed expenditure of approximately \$152.7 million in one-time general fund resources to support reimbursement rate increases; and approximately \$112 million in Proposition 98 general fund resources and \$63.3 million in non-Proposition 98 general fund resources to support an 8.13% statutory cost-of-living adjustment.
- Grant Program for Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities. The Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program (the “FDK Program”) supports the construction of new school facilities or retrofitting existing school facilities for the purpose of providing transitional kindergarten, full-day kindergarten, or preschool classrooms. The Proposed 2023-24 State Budget delayed approximately \$550 million for the FDK Program from fiscal year 2023-24 to fiscal year 2024-25.
- Educator Workforce. The Proposed 2023-24 State Budget included approximately \$500 million in one-time Proposition 98 general fund resources over five years for the Golden State Teacher Grant Program, which funds are available for expenditure until fiscal year 2025-26. The Proposed 2023-24 State Budget also included approximately \$600 million in one-time Proposition 98 general fund resources over five years to establish or expand school counselor residency programs, which funds are available for expenditure until fiscal year 2025-26.
- K-12 School Facilities. On November 8, 2016, voters of the State approved Proposition 51, which authorized \$7.0 billion in State general obligation bonds to support K-12 school facilities construction. The Proposed 2023-24 State Budget proposed a decrease in planned support for the School Facility Program of approximately \$100 million in general fund resources, reducing the planned allocation in fiscal year 2023-24 from approximately \$2.1 billion to approximately \$2.0 billion.

- Special Education. The Proposed 2023-24 State Budget included an increase of approximately \$669 million in ongoing Proposition 98 general fund resources to reflect an 8.13% cost-of-living adjustment for categorical programs that remain outside of the LCFF, including special education.

The complete Proposed 2023-24 State Budget is available from the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of Proposed 2023-24 State Budget. The Legislative Analyst’s Office (“LAO”), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the Proposed 2023-24 State Budget entitled “The 2023-24 Budget: Overview of the Governor’s Budget” on January 13, 2023 (the “2023-24 Proposed Budget Overview”). In the 2023-24 Proposed Budget Overview, the LAO summarized the condition of the Proposed 2023-24 State Budget and analyzed the budgetary challenges therein and the Governor’s proposal to address such challenges.

The Proposed 2023-24 State Budget addressed the estimated budget gap without using funds from the State’s reserves. The LAO noted that, under the Proposed 2023-24 State Budget, the State would end fiscal year 2023-24 with approximately \$27.1 billion in total general purpose reserves. In addition, the State would have approximately \$8.5 billion in the Proposition 98 Rainy Day Fund, available only for K-14 education programs. Under the Proposed 2023-24 State Budget, the State would continue to make its otherwise constitutionally required deposits, including a deposit of approximately \$911 million into the State Rainy Day Fund and approximately \$365 million into the Proposition 98 Rainy Day Fund in fiscal year 2023-24. The LAO explained that the Governor’s approach to refrain from drawing on reserves was warranted given the manageable size of the budget gap and the downside risk to revenues posed by the presently heightened risk of recession.

The Proposed 2023-24 State Budget reflected operating deficits of approximately \$9.0 billion in fiscal year 2024-25, approximately \$9.0 billion in fiscal year 2025-26, and approximately \$4.0 billion in fiscal year 2026-27. Based on these projections, the LAO noted that additional budget solutions will be required in fiscal years 2024-25 through 2026-27. Instead of the State Legislature enacting a budget that plans for future deficits as was presented in the Proposed 2023-24 State Budget, the LAO recommended either reducing proposed spending delays and making more spending-related reductions or adding trigger reductions to trigger off more multi-year spending as needed.

The extent of the budget gap that was presented and addressed in the Proposed 2023-24 State Budget depended on how certain spending was accounted. The LAO observed that the Governor solved an \$18.0 billion budget gap in the Proposed 2023-24 State Budget, which is somewhat lower than the \$22.0 billion budget gap that the Governor had acknowledged with respect to the Proposed 2023-24 State Budget. The LAO explained that the difference stems from what is considered as baseline spending. While the Governor viewed baseline spending to include a \$3.0 billion unallocated set-aside for inflation-related costs and a shift of \$1.4 billion in authorized capital outlay projects from lease revenues bonds to cash, the LAO did not view such items as baseline spending because they were not approved in any budget-related legislation.

The LAO also estimated the budget gap to be higher – at approximately \$24.0 billion based on the LAO’s Fiscal Outlook, released in November 2022. Relative to the LAO’s Fiscal Outlook, released in November 2022, the Governor’s estimates included (i) \$13.6 billion in higher revenues across the three-year budget window, which reduces the size of the budget gap; (ii) \$2.6 billion in higher expenditures on K-14 education, which increases the size of the budget gap; (iii) a \$3.8 billion set-aside in the State’s Special Fund for Economic Uncertainties, which increases the size of the budget gap; (iv) \$2.0 billion in

discretionary spending proposals, which increases the size of the budget gap; and (v) \$800 million in other differences from the LAO's Fiscal Outlook, which reduces the size of the budget gap. The LAO estimated revenues to be lower than the Governor's projections for the budget window, particularly in fiscal years 2022-23 and 2023-24. Nonetheless, the trigger proposals in the Proposed 2023-24 State Budget implicitly placed more emphasis on revenue upside, suggesting the Governor anticipated that revenues were more likely to be higher than their then-current projections. Given the greater downside risk, the LAO recommended that the State Legislature plan for a larger budget gap and address it by reducing more one-time and temporary spending.

The 2023-24 Proposed Budget Overview is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

May Revision to Proposed 2023-24 State Budget. The Governor released the May Revision to the Proposed 2023-24 State Budget (the "2023-24 May Revision") on May 12, 2023. Following two years of unprecedented growth, revenues have fallen short of monthly estimates since the 2022-23 State Budget was enacted in June 2022. The 2023-24 May Revision recognizes both the increased risks to the budget since the release of the Proposed 2023-24 State Budget – new risks that could significantly change the State's fiscal trajectory in the near term, including economic fallout from a debt limit impasse, higher interest rates, uncertainty in financial institutions, including major regional bank failures, and delayed tax receipts from extension of filing deadlines for State income tax until fall. This is the first time income taxes have been delayed until the fall, inserting a new level of uncertainty in the State's revenue forecast and increasing the risk that receipts will not track with budget projections. Monthly revenue shortfalls have continued since the release of the Proposed 2023-24 State Budget, contributing to an additional budget shortfall at the 2023-24 May Revision estimated at approximately \$9.3 billion. When combined with adjustments to the Proposed 2023-24 State Budget shortfall of approximately \$22.5 billion, the State is now facing a total budget shortfall of approximately \$31.5 billion in fiscal year 2023-24.

The 2023-24 May Revision includes the following actions to address the additional downward revision in general fund revenues and close the budget gap:

- \$695.0 million in additional funding delays for multiple items across fiscal years 2021-22 through 2023-24 (resulting in total funding delays of \$8.1 billion).
- \$1.1 billion in additional spending reductions for various items across fiscal years 2021-22 through 2023-24 (resulting in total spending reductions of \$6.7 billion).
- \$3.3 billion in shifts of spending commitments from the general fund to other funds in fiscal years 2022-23 and 2023-24 (resulting in total fund shifts of \$7.5 billion).
- \$3.7 billion in limited revenue generation and borrowing in fiscal year 2023-24 (resulting in total limited revenue generation and borrowing of \$4.9 billion).
- \$450.0 million withdrawal from the Safety Net Reserve, which represents half of the funds available in such reserve.

While the 2023-24 May Revision does not include additional trigger reductions, it maintains most of the \$3.9 billion in such reductions included in the Proposed 2023-24 State Budget.

The 2023-24 May Revision estimates total resources available in fiscal year 2022-23 of approximately \$260.6 billion, including revenues and transfers of approximately \$205.1 billion and a prior year balance of approximately \$55.5 billion, and total expenditures in fiscal year 2022-23 of approximately \$236.5 billion. The 2023-24 May Revision projects total resources available for fiscal year 2023-24 of approximately \$233.2 billion, inclusive of revenues and transfers of approximately \$209.1 billion and a prior year balance of approximately \$24.1 billion. The 2023-24 May Revision projects total expenditures in fiscal year 2023-24 of approximately \$224.1 billion, inclusive of non-Proposition 98 expenditures of approximately \$145.7 billion and Proposition 98 expenditures of approximately \$78.4 billion. The 2023-24 May Revision includes approximately \$37.2 billion in reserves in fiscal year 2023-24 and allocates reserves as follows: approximately \$22.3 billion in the State Rainy Day Fund for fiscal emergencies, approximately \$10.7 billion in the Proposition 98 Rainy Day Fund (Public School System Stabilization Account), approximately \$450.0 million in the Safety Net Reserve, and approximately \$3.8 billion in the State's Special Fund for Economic Uncertainties. In addition, the 2023-24 May Revision allocates approximately \$5.3 billion of the State general fund's projected fund balance in fiscal year 2023-24 to the State's Reserve for Liquidation of Encumbrances. The State Rainy Day Fund is at its constitutional maximum of 10% of State general fund revenues, requiring approximately \$2.3 billion to be dedicated for infrastructure investments in fiscal year 2023-24. The 2023-24 May Revision accelerates the paydown of State retirement liabilities (including CalPERS and CalSTRS, both as defined herein) as required by Proposition 2, with \$2.3 billion in additional payments in fiscal year 2023-24 and approximately \$5.1 billion projected to be paid over the next three fiscal years.

The 2023-24 May Revision includes total funding of approximately \$127.2 billion for all K-12 education programs, including approximately \$79.1 billion from the State's general fund and approximately \$48.1 billion from other funds.

Certain budgeted programs and adjustments for K-12 education set forth in the 2023-24 May Revision include the following:

- Proposition 98 Minimum Guarantee. The revised projections in general fund revenues in the 2023-24 May Revision further reduces the Proposition 98 minimum guarantee, resulting in funding estimates of approximately \$110.6 billion in fiscal year 2021-22, \$106.8 billion in fiscal year 2022-23, and \$106.8 billion in fiscal year 2023-24, representing a three-year decrease in the minimum guarantee of approximately \$2.0 billion under the level estimated in the Proposed 2023-24 State Budget. The projected funding levels for fiscal years 2021-22 through 2023-24 include property tax increases of approximately \$15.0 million in fiscal year 2021-22, \$767.0 million in fiscal year 2022-23, and \$201.0 million in fiscal year 2023-24.
- Proposition 98 Rainy Day Fund (Public School System Stabilization Account). At the 2023-24 May Revision, the share of general fund revenues attributable to capital gains have increased, causing total payments made to the Proposition 98 Rainy Day Fund to increase from approximately \$8.5 billion at the Proposed 2023-24 State Budget to a total of approximately \$10.7 billion. As indicated in the 2023-24 May Revision, the balance of approximately \$9.9 billion in fiscal year 2022-23 continues to trigger a cap on school district reserves in fiscal year 2023-24. For more information, see “– School District Reserves” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 751.”
- Local Control Funding Formula. The 2023-24 May Revision increases the LCFF cost-of-living adjustment to approximately 8.22%. This increase, when combined with further declining enrollment at the 2023-24 May Revision, will result in approximately \$3.4 billion in additional discretionary funds for local educational agencies. The 2023-24 May Revision includes

approximately \$2.7 billion in one-time Proposition 98 general fund resources to support the overall costs of LCFF in fiscal year 2023-24.

- Learning Recovery Emergency Block Grant. The 2023-24 May Revision reflects a reduction of approximately \$2.5 billion in one-time Proposition 98 general fund resources for the Learning Recovery Emergency Block Grant, taking support for such block grant from approximately \$7.9 billion at the Proposed 2023-24 State Budget to approximately \$5.4 billion at the 2023-24 May Revision.
- Arts and Cultural Enrichment. The 2023-24 May Revision reflects a decrease of approximately \$8.0 million to support the implementation of Proposition 28, which requires an amount equal to one percent of the Proposition 98 minimum guarantee to be allocated to schools to support art instruction and programs. After accounting for such decrease, the 2023-24 May Revision includes approximately \$933.0 million to fund Proposition 28 in fiscal year 2023-24. In addition, the 2023-24 May Revision reflects a reduction of approximately \$607.0 million in one-time Proposition 98 general fund resources from the Arts, Music, and Instructional Materials Block Grant included in the Proposed 2023-24 State Budget, reducing the proposed support from approximately \$2.3 billion to approximately \$1.8 billion in Proposition 98 general fund resources.
- Transitional Kindergarten. Due to reductions in the transitional kindergarten enrollment projections, the 2023-24 May Revision makes the following adjustments: reduces the first-year costs to expand eligibility for transitional kindergarten to all children turning five-years-old between September 2 and February 2 from \$604.0 million to approximately \$357.0 million of Proposition 98 general fund resources; reduces the first-year costs to add one additional certificated or classified staff person to every transitional kindergarten classroom from \$337.0 million to approximately \$283.0 million of Proposition 98 general fund resources; and reduces the second-year costs to expand eligibility for transitional kindergarten to all children turning five-years-old between September 2 and February 2 from \$690.0 million to approximately \$597.0 million of Proposition 98 general fund resources.
- State Preschool Program. The 2023-24 May Revision includes a decrease of approximately \$54.3 million in general fund resources to reflect revised estimates of the general fund resources needed to support recent reimbursement rate increases that are currently supported by limited-term federal funds. The 2023-24 May Revision also reflects an increase in reimbursement rates due to the increased statutory cost-of-living adjustment of 8.22%; however, the cost of providing such adjustment has decreased by approximately \$52.0 million in Proposition 98 general fund resources and approximately \$28.0 million in non-Proposition 98 general fund resources due to revised estimates.
- Nutrition. The 2023-24 May Revision includes an additional \$110.0 million in one-time Proposition 98 general fund resources and approximately \$191.0 million in ongoing Proposition 98 general fund resources to fully fund the Universal School Meals program in fiscal years 2022-23 and 2023-24.
- Bipartisan Safer Communities Act, Stronger Connections Program. The 2023-24 May Revision includes an increase of approximately \$119.6 million one-time federal funds to support State-level activities related to school climate and safety through the Stronger Connections Program.

The complete 2023-24 May Revision is available from the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. The District can take no responsibility for the

continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Analysis of the 2023-24 May Revision. The LAO released its report on the 2023-24 May Revision entitled “The 2023-24 Budget: Initial Comments on the Governor’s May Revision” on May 15, 2023 (the “2023-24 May Revision Analysis”). In the 2023-24 May Revision Analysis, the LAO summarizes and comments on the 2023-24 May Revision and the school and community college budget, focusing on the overall condition and structure of the State general fund – the budget’s main operating account.

The LAO’s estimate of the budget deficit is \$28.3 billion, slightly lower than the \$31.5 billion figure included in the 2023-24 May Revision. The reasons for this difference include the cost of certain assumptions and policies included in the Proposed 2023-24 State Budget and the 2023-24 May Revision, that have not yet been adopted. For example, such budget estimates include an assumption about the costs of inflation in future fiscal years that is not current law. The LAO notes that the State budget deficit grew by \$10.4 billion since the Proposed 2023-24 State Budget projections. Factors contributing to the growing budget deficit include: (1) the 2023-24 May Revision baseline revenue estimates (that is, excluding constitutionally required reserve deposits and policy choices) are lower by \$8.4 billion in fiscal years 2021-22, 2022-23 and 2023-24 compared to the Proposed 2023-24 State Budget, (2) the 2023-24 May Revision estimates of general fund constitutional requirements (including school and community college spending, reserve deposits and debt payments) are lower by \$2.7 billion compared to the Proposed 2023-24 State Budget, (3) the baseline spending (spending under current law) in the 2023-24 May Revision is higher than Proposed 2023-24 State Budget estimates by \$2.7 billion, mainly because of baseline costs in Medi-Cal and In-Home Supportive Services, and (4) proposed additional discretionary spending (not required under current law or policy) of nearly \$1.0 billion in the 2023-24 May Revision, adding to the discretionary spending in the Proposed 2023-24 State Budget for a total of \$3.1 billion.

Total budget solutions proposed in the 2023-24 May Revision (including those maintained from the Proposed 2023-24 State Budget) are: \$15.1 billion in spending reductions and delays, \$9.1 billion in cost shifts, \$3.7 billion in revenue increases and shifts, and \$450.0 million in reserve withdrawals. The spending proposals in the 2023-24 May Revision can be categorized into three types: reductions, delays and reductions subject to trigger restoration.

The 2023-24 May Revision proposes delaying \$550.0 million in grants for early education facilities from fiscal year 2023-24 to fiscal year 2024-25 and \$550.0 million for broadband last-mile project grants from fiscal year 2023-24 to future fiscal years. The 2023-24 May Revision also includes \$4.9 billion in reductions, the largest of which is withdrawing a discretionary principal payment on the State’s unemployment insurance loan (which otherwise is paid by employers’ payroll taxes). Under the 2023-24 May Revision, one-quarter of all spending-related solutions will be subject to trigger restoration. The LAO observes that the 2023-24 May Revision also includes \$9.1 billion in cost shift proposals, an increase of \$6.0 billion compared to the Proposed 2023-24 State Budget, between entities, fund sources, or across fiscal years. The 2023-24 May Revision’s proposed \$3.7 billion in revenue-related solutions reflects an increase of \$3.4 billion from the Proposed 2023-24 State Budget. The main proposal in this area is a renewal and increase in a tax on health insurance plans known as the managed care organization (MCO) tax, which tax would last from April 2023 through December 2026 and be used to maintain and augment support for Medi-Cal. The 2023-24 May Revision proposes using \$450.0 million, half of the balance in the Safety Net Reserve of \$900.0 million, to address the budget deficit in fiscal year 2023-24.

The LAO notes that the 2023-24 May Revision does not propose using any constitutional reserves. Under the 2023-24 May Revision, the State would end the 2023-24 fiscal year with \$3.8 billion in the Special Fund for Economic Uncertainties. Under the 2023-24 May Revision, the State would end fiscal year 2023-24 with approximately \$26.5 billion in total general purpose reserves. In addition, the State

would have approximately \$10.7 billion in the Proposition 98 Rainy Day Fund (Public School System Stabilization Account), available only for school and community college programs. The LAO observes that under the 2023-24 May Revision's estimates and assumptions, the budget condition would worsen in future fiscal years. Specifically, the State faces operating deficits of approximately \$15.0 billion in fiscal years 2024-25 through 2026-27. Cumulatively, these deficits would compound such that the State would have a negative \$41.0 billion balance in the Special Fund for Economic Uncertainties by fiscal year 2026-27. As such, these operating deficits represent future budget problems the State Legislature would need to address.

The LAO notes that Proposition 98 sets a minimum annual funding requirement for schools and community colleges. Compared with the 2022-2023 State budget, the estimates in the 2023-24 May Revision of the minimum guarantee increased by \$317.0 million in fiscal year 2021-22 and decreased by \$3.6 billion in fiscal year 2022-23. For fiscal year 2023-24, the 2023-24 May Revision estimates the minimum guarantee is \$106.8 billion – \$3.5 billion below the fiscal year 2022-23 level enacted in the 2022-23 State budget. Despite the decrease in the Proposition 98 minimum guarantee, the 2023-24 May Revision proposes to provide an 8.22% statutory cost-of-living adjustment for existing programs. Compared with the 2022-23 State budget, the 2023-24 May Revision also includes a net increase of \$1.1 billion in constitutionally required deposits into the Proposition 98 Rainy Day Fund (Public School System Stabilization Account), as well as a few new ongoing and one-time initiatives. The LAO observes that, to cover these increases and avoid spending more than the Proposition 98 minimum guarantee, the 2023-24 May Revision proposes \$5.1 billion in reductions to several one-time grants previously approved.

The LAO notes that, to support spending-related solutions, at least in part, the 2023-24 May Revision uses approximately \$2.5 billion in special fund loans and reserve withdrawals. The LAO observes that in order to minimize the likelihood of future reductions to core programs, the State Legislature could reduce more one-time spending instead of using the reserves and special fund loans. Across fiscal years 2021-22 to 2023-24, the LAO's tax revenue estimates are \$11.0 billion lower than the 2023-24 May Revision estimates. The LAO considers the 2023-24 May Revision revenues plausible but cautions that adopting the revenue projections would present considerable downside risk. The 2023-24 May Revision includes \$3.1 billion in new, discretionary spending proposals, which add to the budget deficit, necessitating spending reductions and other budget solutions. Given the budget deficit, the LAO recommends the State Legislature reject all new discretionary proposals without prejudice, unless they address an immediate safety or health issue. The LAO also observes that the significant revenue uncertainty highlighted in the 2023-24 May Revision is not unique to the particular budget cycle. Due to economic unknowns, policy changes, and other potential disruptions, revenues forecasts are always uncertain. Given the greater downside risk, the LAO recommends that the State Legislature plan for a larger budget gap and address it by reducing more one-time and temporary spending. Finally, the LAO advises the State Legislature to adopt its revenue estimates, which are less likely to result in unanticipated shortfalls in the future. The LAO cautions that adopting the 2023-24 May Revision could set the State Legislature up for a double-digit budget deficit, involving even more difficult budget decisions in the next fiscal year.

The 2023-24 May Revision Analysis is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. While the Governor has signed the 2023-24 State Budget, as of the date of this Official Statement, the complete 2023-24 Budget is not yet available from the California Department of Finance website at www.dof.ca.gov or www.ebudget.ca.gov. The District is reviewing and assessing the impact of the 2023-24 State Budget on its finances and operations. The District can take no responsibility for the continued accuracy of the internet addresses referenced above or for the accuracy,

completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or 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 beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash and could impair the State's ability to fund schools during the current fiscal year and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Series 2023 Bonds are payable from *ad valorem* property taxes, the 2023-24 State Budget is not expected to have a material impact on the payment of the Series 2023 Bonds.

School District Reserves. Even though the State's economic and revenue outlook has changed, the State still projects deposits into the Proposition 98 Rainy Day Fund in fiscal years 2022-23 and 2023-24 (see “– 2022-23 State Budget,” “– Proposed 2023-24 State Budget,” and “– May Revision to Proposed 2023-24 State Budget”); however, school districts may still need to access their local reserves in light of operational needs that may exceed expected funding under LCFF in a given fiscal year. The District, which has an average daily attendance (“A.D.A.”) of less than 30,000 (but greater than 1,001), is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. In addition, the District has a practice of maintaining a minimum reserve of approximately 20% of the District's general fund expenditures and other financing uses, inclusive of the 3% statutory reserve requirement. At the time of preparation of the Fiscal Year 2023-24 Budget, the District projects it will meet the 3% statutory reserve requirement in fiscal years 2023-24 through 2025-26. However, as of the Fiscal Year 2023-24 Budget, the District projects that reserves in fiscal years 2023-24 through 2025-26 will be less than the District's reserve target of 20% of its general fund expenditures and other financing uses. Based on the Fiscal Year 2023-24 Budget, the District projects in fiscal years 2023-24 through 2025-26 that it may need to use its existing general fund balance, while still maintaining the 3% statutory requirement, in order to meet its obligations in light of one-time COVID-19 related expenditures.

Payments allocated to the Proposition 98 Rainy Day Fund under the fiscal year 2021-22 State budget and the Fiscal Year 2022-23 State Budget triggered a reserve cap for school districts in fiscal years 2022-23 and 2023-24, respectively. Such reserve cap is triggered when the amount of money in the Proposition 98 Rainy Day Fund is equal to or exceeds 3% of the combined total State general fund revenues appropriated for school districts Statewide. In accordance with Section 42127.01(a) of the California Education Code, once the reserve cap is triggered, a school district's assigned and unassigned ending fund balance cannot exceed 10% of such school district's general fund balance. However, pursuant to Section 42127.01(c) of the California Education Code, community funded districts and small school districts with fewer than 2,501 units of A.D.A. are exempt from the reserve cap. Since the District is neither a community funded district nor a small school district with fewer than 2,501 units of A.D.A., the District is subject to the reserve cap. To address the reserve cap, the District has committed a portion of its assigned and unassigned ending fund balance in the amount of approximately \$10.60 million for its literacy initiative. For more information on the reserve cap legislation, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – *SB 751*.”

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund (“ERAF”) in each county. Local

agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the California Constitution, which voters of the State approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of an initiative constitutional amendment at the November 2010 election, known as “Proposition 22.”

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

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*”). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State’s authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, each school district received State funding based on a unique revenue limit multiplied by such school district’s A.D.A. Under the revenue limit funding system, school districts also received funding for categorical programs based on the demographics and needs of the students in each school district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant (“Base Grant”) per unit of A.D.A. with additional supplemental funding (referred to as a “Supplemental Grant” and a “Concentration Grant”) allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF was projected to have an eight-year implementation program to incrementally close the gap between actual funding and the target level of funding, but achieved full implementation ahead of schedule in fiscal year 2018-19. The LCFF includes the following components:

- A Base Grant for each local education agency (“LEA”). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2022-23, the LCFF provided to school districts and charter schools: (a) a Base Grant for each LEA equivalent to \$10,119 per A.D.A. for kindergarten through grade 3; (b) a Base Grant for each LEA equivalent to \$9,304 per A.D.A. for grades 4 through 6; (c) a Base Grant for each LEA equivalent to \$9,580 per A.D.A. for grades 7 and 8; (d) a Base Grant for each LEA equivalent to \$11,391 per A.D.A. for grades 9 through 12. However, the amount of

actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12. The fiscal year 2022-23 Base Grant amount includes a cost-of-living adjustment of 6.56% in fiscal year 2022-23 and a 6.70% discretionary increase in Base Grant funding in fiscal year 2022-23, resulting in an increase of approximately 13.26% in Base Grant amounts from fiscal year 2021-22.

- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional Concentration Grant of up to 65% of a LEA's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.
- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF in fiscal year 2018-19. Upon full implementation in fiscal year 2018-19, LEAs now receive the greater of the Base Grant or the ERT.

Prior to fiscal year 2022-23, school districts received their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year A.D.A. This apportionment method helped to temporarily mitigate the impact of LCFF funding losses on school districts that result from declining enrollment. To further mitigate the impact of LCFF funding losses in light of the COVID-19 pandemic, the fiscal year 2020-21 State budget included a temporary hold harmless provision for the purpose of calculating apportionments in fiscal year 2020-21 in which A.D.A. for fiscal year 2020-21 was based on fiscal year 2019-20 (specifically, the period July 1, 2019 through February 29, 2020). The fiscal year 2021-22 State budget did not extend the A.D.A. hold harmless provision to fiscal year 2021-22. Nonetheless, in fiscal year 2021-22, school districts still retained the ability to receive their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year A.D.A. in accordance with the LCFF.

The 2022-23 State Budget amends the LCFF calculation to consider the greater of a school district's current fiscal year, prior fiscal year, or the average of three prior fiscal years' A.D.A. to allow school districts more time to adjust to enrollment-related LCFF funding declines. See "*2022-23 State Budget*." For purposes of fiscal year 2021-22, a school district that can demonstrate it provided independent study offerings to students in fiscal year 2021-22 may consider the greater of such school district's fiscal year 2021-22 A.D.A. or such school district's fiscal year 2021-22 enrollment adjusted for pre-COVID-19 absence rates. Such adjustment is applicable to fiscal year 2021-22 for purposes of calculating a school district's fiscal year 2021-22 annual apportionment and calculating a school district's prior year A.D.A. or the average of three prior years' A.D.A. in fiscal year 2022-23 and future fiscal years in accordance with the amendments made in connection with the 2022-23 State Budget. See "*2022-23 State Budget*."

Under LCFF, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts continue to receive the same level of State aid as allocated under the prior revenue limit funding system in fiscal year 2012-13.

Enrollment, A.D.A. and LCFF. The following table sets forth the District’s actual A.D.A., funded A.D.A., the basis for such funded A.D.A. (the current fiscal year A.D.A., the prior fiscal year A.D.A., or the average of three prior years’ A.D.A.), enrollment (including the percentage of students who are English language learners, from low-income families and/or foster youth (collectively, “EL/LI Students”)), and Base Grant (or targeted Base Grant, as applicable) per unit of A.D.A. for fiscal years 2018-19 through 2022-23, and the District’s budgeted A.D.A., funded A.D.A., the basis for such funded A.D.A., enrollment (including the percentage of EL/LI Students), and Base Grant per unit of A.D.A. for fiscal year 2023-24 at the time of preparation of the Fiscal Year 2023-24 Budget. The A.D.A. and enrollment numbers below include special education students and TK students.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Average Daily Attendance, Enrollment and Base Grant
Fiscal Years 2018-19 through 2023-24

Fiscal Year		A.D.A./Base Grant					Funding Basis	Enrollment ⁽¹²⁾	
		TK-3	4-6	7-8	9-12	Total A.D.A.		Total Enrollment	Unduplicated % of EL/LI Students
2018-19	Actual A.D.A. ⁽¹⁾ :	7,146.93	5,565.64	4,009.08	7,334.65	24,056.30	--	25,064	87.35%
	Funded A.D.A. ⁽¹⁾ :	7,244.85	5,811.17	3,930.82	7,497.68	24,484.52	Prior Year	--	--
	Targeted Base Grant ⁽²⁾⁽³⁾ :	\$8,235	\$7,571	\$7,796	\$9,269	--	--	--	--
2019-20	Actual A.D.A. ⁽¹⁾⁽⁴⁾ :	7,074.12	5,554.30	3,878.83	7,508.08	24,015.33	--	25,177	88.48%
	Funded A.D.A. ⁽¹⁾⁽⁴⁾ :	7,146.93	5,565.64	4,009.08	7,334.65	24,056.30	Prior Year	--	--
	Base Grant ⁽²⁾⁽⁵⁾ :	\$8,503	\$7,818	\$8,050	\$9,572	--	--	--	--
2020-21	Actual A.D.A. ⁽¹⁾⁽⁶⁾ :	7,074.12	5,554.30	3,878.83	7,508.08	24,015.33	--	24,453	89.17%
	Funded A.D.A. ⁽¹⁾⁽⁶⁾ :	7,074.12	5,554.30	3,878.83	7,508.08	24,015.33	Current Year	--	--
	Base Grant ⁽²⁾⁽⁷⁾ :	\$8,503	\$7,818	\$8,050	\$9,572	--	--	--	--
2021-22	Actual A.D.A. ⁽¹⁾ :	6,382.42	5,010.61	3,412.47	6,811.80	21,617.30	--	24,098	88.02%
	Funded A.D.A. ⁽¹⁾ :	7,074.12	5,554.30	3,878.83	7,508.08	24,015.33	Prior Year	--	--
	Base Grant ⁽²⁾⁽⁸⁾ :	\$8,935	\$8,215	\$8,458	\$10,057	--	--	--	--
2022-23	Actual A.D.A. ⁽¹⁾ :	6,605.81	4,968.69	3,252.76	6,955.04	21,782.30	--	23,778	87.88%
	Funded A.D.A. ⁽¹⁾ :	6,977.77	5,478.44	3,795.14	7,419.23	23,670.58	3 Year Avg.	--	--
	Base Grant ⁽²⁾⁽⁹⁾ :	\$10,119	\$9,304	\$9,580	\$11,391	--	--	--	--
2023-24 ⁽¹⁰⁾	A.D.A.:	6,501.25	4,833.25	3,298.47	6,620.27	21,253.24	--	23,395	87.80%
	Funded A.D.A.:	6,821.66	5,283.23	3,586.45	7,234.88	22,926.22	3 Year Avg.	--	--
	Base Grant ⁽²⁾⁽¹¹⁾ :	\$10,951	\$10,069	\$10,367	\$12,327	--	--	--	--

- ⁽¹⁾ A.D.A. for the second period of attendance, typically in mid-April of each school year, which does not reflect subsequent revisions related to days deemed later by the California Department of Education to have a “material decrease” in attendance or attendance at Saturday school.
- ⁽²⁾ Such amounts include the grade span adjustment, but do not include any Supplemental Grants and Concentration Grants under the LCFF.
- ⁽³⁾ Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts.
- ⁽⁴⁾ Condensed reporting period due to the COVID-19 pandemic. For more information on Senate Bill 117 (as defined herein), see “-- Infectious Disease Outbreak – State Legislation Relating to School Districts” below.
- ⁽⁵⁾ Fiscal year 2019-20 Base Grant amount reflects a 3.26% cost-of-living adjustment from targeted fiscal year 2018-19 Base Grant amounts.
- ⁽⁶⁾ Attendance reporting not required for fiscal year 2020-21. The fiscal year 2020-21 State budget included a hold harmless provision, providing that A.D.A. for fiscal year 2020-21 was based on A.D.A. for fiscal year 2019-20 (for the condensed reporting period), as discussed in more detail above.
- ⁽⁷⁾ Fiscal year 2020-21 Base Grant amount reflects a 0% cost-of-living adjustment from fiscal year 2019-20 Base Grant amounts.
- ⁽⁸⁾ Fiscal year 2021-22 Base Grant amount reflects a 5.07% adjustment from fiscal year 2020-21 Base Grant amounts, which includes a 4.05% cost-of-living adjustment and a 1% discretionary increase in Base Grant funding.
- ⁽⁹⁾ Fiscal year 2022-23 Base Grant amount reflects an approximately 13.26% adjustment from fiscal year 2021-22 Base Grant amounts, which includes a 6.56% cost-of-living adjustment and a 6.70% discretionary increase in Base Grant funding.
- ⁽¹⁰⁾ Budgeted as of the Fiscal Year 2023-24 Budget.
- ⁽¹¹⁾ Fiscal year 2023-24 Base Grant amount included in the Fiscal Year 2023-24 Budget assumes an 8.22% cost-of-living adjustment.
- ⁽¹²⁾ Reflects enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System. A school district’s funded percentage of unduplicated EL/LI Students is based on a rolling average of such school district’s EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Source: Rialto Unified School District.

In the past several years, the District, like many school districts in the State, has experienced declining enrollment, which has been exacerbated by the COVID-19 pandemic. The District also attributes declining enrollment to declining birth rates and attrition in the transition years from fifth to sixth grade and from eighth to ninth grade. As of the Fiscal Year 2023-24 Budget, the District projects enrollment will continue to decline by about 750 students over fiscal years 2023-24 through 2025-26. Given the District's projections of declining enrollment, the District plans to continue to right-size its staff by making the appropriate reductions in staffing to address future revenue losses that may result from enrollment declines. In addition, the District continues to offer a distance learning option, maintain an open inter-district transfer policy, and market its specialized programs to the community.

The District received approximately \$304.45 million in aggregate revenues reported under LCFF sources in fiscal year 2021-22 (or approximately 73.44% of its general fund revenues in fiscal year 2021-22). Such amount includes Supplemental Grants and Concentration Grants for targeted groups of approximately \$38.35 million and \$46.76 million, respectively, in fiscal year 2021-22. As of the Fiscal Year 2022-23 Estimated Actuals, the District estimates to receive approximately \$335.66 million in aggregate revenues reported under LCFF sources in fiscal year 2022-23 (or approximately 65.92% of its general fund revenues in fiscal year 2022-23). Such amount includes Supplemental Grants and Concentration Grants for targeted groups estimated at approximately \$42.71 million and \$51.94 million, respectively, in fiscal year 2022-23. As of the Fiscal Year 2023-24 Budget, the District budgets to receive approximately \$353.49 million in aggregate revenues reported under LCFF sources in fiscal year 2023-24 (or approximately 69.11% of its general fund revenues in fiscal year 2023-24). Such amount includes Supplemental Grants and Concentration Grants for targeted groups budgeted at approximately \$44.76 million and \$54.34 million, respectively, in fiscal year 2023-24.

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year LCAP. Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district's budget to ensure adequate funding is allocated for the planned actions.

Typically, each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district's LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the "Collaborative"), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

Local Property Tax Revenues

General. The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. The District's share of the local 1% property tax is separate from and in addition to the *ad valorem* tax pledged to the repayment of all general obligation bonds of the District, including the Series 2023 Bonds. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the California Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some State equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as a LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "– State Funding of Education; State Budget Process – *Allocation of State Funding to School Districts; Local Control Funding Formula*" for more information about the LCFF.

Based on the Fiscal Year 2022-23 Estimated Actuals, local property tax revenues are estimated to account for approximately 10.27% of the District's aggregate revenues reported under LCFF sources in fiscal year 2022-23 and are estimated to be approximately \$34.47 million, or 6.77% of total general fund revenues in fiscal year 2022-23. Based on the Fiscal Year 2023-24 Budget, local property tax revenues are budgeted to account for approximately 9.11% of the District's aggregate revenues reported under LCFF sources in fiscal year 2023-24 and are budgeted to be approximately \$32.22 million, or 6.30% of total general fund revenues in fiscal year 2023-24.

For information about the property taxation system in the State and the District's property tax base, see "– Property Taxation System," "– Assessed Valuation of Property Within the District," and "– Tax Charges and Delinquencies" under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2023 BONDS" in the front portion of the Official Statement.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

Effect of Changes in Enrollment. Changes in local property tax revenue and A.D.A. affect LCFF districts and community funded districts differently.

In a LCFF district, such as the District, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In a community funded district, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it a LCFF district, but since all LCFF funding (and more) is already generated by local property taxes, there is no increase in State funding, other than the \$120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax revenue is stretched further. Declining enrollment does not reduce property tax revenue, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Based on the Fiscal Year 2022-23 Estimated Actuals, the District estimates that federal revenues, most of which are restricted, will comprise approximately 8.81% (or approximately \$44.85 million) of the District's general fund estimated revenues for fiscal year 2022-23. Based on the Fiscal Year 2023-24 Budget, the District budgets that federal revenues, most of which are restricted, will comprise approximately 13.97% (or approximately \$71.46 million) of the District's general fund budgeted revenues for fiscal year 2023-24. The increase in federal revenues from the Fiscal Year 2022-23 Estimated Actuals to the Fiscal Year 2023-24 Budget is due to the recognition of one-time COVID-19 related funds that the District plans to subsequently spend down.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through 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 LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Based on the Fiscal Year 2022-23 Estimated Actuals, the District estimates that other State revenues will comprise approximately 19.58% (or approximately \$99.69 million) of the District's general fund estimated revenues for fiscal year 2022-23. Based on the Fiscal Year 2023-24 Budget, the District budgets that other State revenues will comprise approximately 11.83% (or approximately \$60.49 million) of the District's general fund budgeted revenues for fiscal year 2023-24. The decrease in other State revenues from the Fiscal Year 2022-23 Estimated Actuals to the Fiscal Year 2023-24 Budget is due to the removal of one-time State revenues recognized in fiscal year 2022-23.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. Based on the Fiscal Year 2022-23 Estimated Actuals, the District estimates to receive approximately \$5.94 million in State lottery revenue for fiscal year 2022-23. Based on the Fiscal Year 2023-24 Budget, the District budgets to receive approximately \$5.65 million in State lottery revenue for fiscal year 2023-24.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Based on the Fiscal Year 2022-23 Estimated Actuals, the District estimates that other local revenues will comprise approximately 5.70% (or approximately \$29.03 million) of the District's general fund estimated revenues for fiscal year 2022-23. Based on the Fiscal Year 2023-24 Budget, the District budgets that other local revenues will comprise approximately 5.09% (or approximately \$26.03 million) of the District's general fund budgeted revenues for fiscal year 2023-24.

Infectious Disease Outbreak

General. In general, the outbreak of a highly contagious disease or epidemic disease could harm the District's financial results or result in a temporary shutdown of the District's facilities. As discussed above, many school districts in the State are funded based on the LCFF, which allocates a Base Grant per unit of average daily attendance with additional supplemental funding in the form of Supplemental Grants and Concentration Grants based on certain factors. See “– State Funding of Education; State Budget Process – *Allocation of State Funding to School Districts; Local Control Funding Formula.*” Thus, a temporary shutdown of a school or an entire school district would reduce the average daily attendance and could impact the funding a school district receives. Further, any impact on the State's tax and other revenue receipts as a result of a highly contagious or epidemic disease may in turn impact other educational funding that the District receives from the State. See “– State Funding of Education; State Budget Process – *Future Budgets and Budgetary Actions.*” In addition, the District may incur increased operational costs to conduct distance learning or to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

COVID-19 Background. The outbreak of the respiratory disease caused by COVID-19 was declared a pandemic by the World Health Organization, a national emergency by former President Trump and a state of emergency by the Governor.

Federal Response. On March 22, 2020, former President Trump approved the Major Disaster Declaration for the State of California's COVID-19 pandemic, authorizing federal emergency aid related to COVID-19 administered through the Federal Emergency Management Agency (“FEMA”). Local educational agencies may submit a request for FEMA public assistance through the California Office of Emergency Services for reimbursement of certain costs incurred as a result of COVID-19. The District did not submit a FEMA request for public assistance, and does not plan to submit such request.

On March 27, 2020, the U.S. House of Representatives approved and former President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The CARES Act provided \$30 billion to education, specifically \$3 billion allocated to state governors to be used at their discretion to address the emergency, \$13.5 billion for K-12 education, and \$14.25 billion for postsecondary institutions. School districts are able to use their share of the \$13.5 billion K-12 education allocation under the CARES Act, which was based on the proportion of Title I funding received for the then most recent fiscal year, for purposes authorized by federal law and other specified uses.

The District received approximately \$38.51 million under the CARES Act, which is the full amount allocated to the District under the CARES Act and includes funding from the Elementary and Secondary School Emergency Relief Fund provided directly from the federal government to the District, from the Coronavirus Relief Fund for learning loss mitigation provided from CARES Act funding administered through the State, from the Governor's Emergency Education Relief Fund for learning loss mitigation provided from CARES Act funding administered through the State, and from the State's general fund for learning loss mitigation provided from CARES Act funding administered through the State.

On December 27, 2020, HR 133 was enacted, which includes a \$900 billion COVID-19 relief package. HR 133 provided approximately \$81.9 billion to education, specifically about \$4.1 billion allocated to state governors to be used at their discretion to address the emergency, of which approximately \$2.75 billion was reserved for private K-12 education, about \$54.3 billion for public K-12 education, around \$22.7 billion for postsecondary institutions, and about \$819 million for outlying areas and Bureau of Indian Affairs schools. School districts are able to use their share of the approximately \$54.3 billion K-12 education allocation under HR 133, which was based on the proportion of Title I funding received for the then most recent fiscal year, for purposes authorized by federal law and other specified uses. The District

expects to receive approximately \$30.03 million under HR 133. The District has received approximately \$7.05 million to date and expects to receive the remaining funding due under HR 133 once it requests reimbursement for authorized COVID-19 expenditures.

On March 11, 2021, the American Rescue Plan Act of 2021 (“HR 1319”), a \$1.9 trillion COVID-19 relief package, was enacted. HR 1319 provided approximately \$165.15 billion to education, specifically about \$122.8 billion to public K-12 education, around \$2.75 billion to private K-12 education and about \$39.6 billion to postsecondary institutions. Of the approximately \$122.8 billion in K-12 funding, about \$7.2 billion was set aside for purchasing technology to support digital learning and around \$800 million was set aside for supporting homeless students. HR 1319 allocated K-12 funding to states and school districts according to the proportion of Title I funding received for the then most recent fiscal year. It further stipulated that of the K-12 funds received by states, 90% must be distributed to local educational agencies, 5% must be used to address learning loss, 1% must be used for summer enrichment programs and 1% must be used for comprehensive afterschool programs, and of the K-12 funds received by school districts, 20% must be used to address learning loss. HR 1319 allocated postsecondary funding based on the relative share of students receiving Federal Pell Grants at an institution. It also required that at least 50% of postsecondary funding must be spent on emergency, need-based financial aid grants to students and that a portion of remaining funds must be used to implement practices that monitor and suppress COVID-19. The District expects to receive approximately \$67.50 million under HR 1319. The District has received approximately \$22.41 million to date and expects to receive the remaining funding due under HR 1319 once it requests reimbursement for authorized COVID-19 expenditures.

State Legislation Relating to School Districts. On March 17, 2020, the Governor signed Senate Bill 117 (“SB 117”) as urgency legislation effective immediately. For purposes of school district funding for fiscal year 2019-20, SB 117 limited the A.D.A. reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed A.D.A. period applied to school districts that complied with Executive Order N-26-20, which provided that school districts that initiate a school closure to address COVID-19 will continue to receive State funding to support certain enumerated school functions during the period of closure. SB 117 further states the intent of the State Legislature is that a school district’s employees and contractors be paid during the period of a school closure due to COVID-19. SB 117 also waived instructional time penalties that would otherwise accrue, as long as the school district superintendent, county superintendent or charter school administrator certify that the closure due to COVID-19 caused the school district to fall below applicable instructional time requirements. SB 117 also included \$100 million in additional funding to school districts for certain costs incurred as a result of COVID-19. The District received \$418,707 from such additional State funding in fiscal year 2019-20.

The Governor signed Assembly Bill 86 (“AB 86”) into law on March 5, 2021. AB 86 provided approximately \$6.6 billion to local educational agencies to encourage a return to in-person education, with a focus on students who are younger (TK-2) and most disproportionately impacted by the COVID-19 pandemic. Funding was distributed as follows: \$725 per student, an additional \$1,000 per homeless student, and funds remaining after these apportionments are distributed proportionally based on LCFF. \$2 billion was set aside as incentive for school districts that returned to in-person instruction by March 31, 2021 for at least TK-2 and ramping up to include higher grades if county transmission rates allow. Beginning April 1, 2021, school districts’ apportioned incentive funding was reduced by 1% for every academic calendar day they do not offer in-person education until May 15, 2021, after which school districts forfeit their entire apportionment of incentive funding. AB 86 also established reporting requirements to monitor COVID-19 cases and in-person education status and apportioned \$25 million to the State’s “Safe Schools For All Team” to provide technical assistance, community engagement, oversight and accountability to school districts. AB 86 further set aside 10% of the State’s vaccine supply for childcare and TK-12 education

sector staff. The District did not receive incentive funding under AB 86 for returning to in-person instruction because the District used the distance learning model for the 2020-21 school year.

In addition to providing incentive funding, AB 86 allocated approximately \$4.6 billion to local educational agencies to support expanded learning opportunities that target learning loss resulting from the COVID-19 pandemic. To be eligible for such funding, school districts were required to implement learning recovery programs that included, at minimum, supplemental instruction, resources for social and emotional well-being and meal programs. Subsequent to enacting AB 86, the Governor signed Assembly Bill 130 (“AB 130”) into law on July 9, 2021. AB 130 replaced approximately \$2.02 billion of State funding that AB 86 had allocated to support the expanded learning opportunities program with federal stimulus funds that the State received pursuant to the CARES Act, HR 133 and HR 1319. Pursuant to AB 86, the District expects to receive approximately \$21.43 million in expanded learning opportunities funding. The District has received approximately \$10.84 million to date and expects to receive the remaining funding due under AB 86 once it requests reimbursement for authorized COVID-19 expenditures.

District Response. As a result of the outbreak of COVID-19, the District closed its schools for in-person instruction in March 2020 for the remainder of the 2019-20 school year, implemented a distance learning model and continued to use the distance learning model until August 9, 2021, the beginning of the 2021-22 school year, at which point the District returned to in-person instruction. The District offers an independent study program to students who do not wish to participate in in-person instruction.

Pursuant to the COVID-19 relief measures described above, the District has been allocated approximately \$157.89 million in State and federal funding to mitigate the impact of the COVID-19 pandemic during fiscal year 2019-20 through September 30, 2024. As of the Fiscal Year 2023-24 Budget, the District has spent or encumbered approximately \$79.23 million of such State and federal funding on COVID-19 related expenditures, such as cleaning supplies, technology, COVID-19 testing, and staffing. The District currently expects such funding will cover the increased expenditures relating to COVID-19 that the District has incurred and expects to incur through September 30, 2024.

While State and federal one-time COVID-19 relief funding has provided and will continue to provide some immediate relief to school districts, including the District, the short-term and long-term impacts of the COVID-19 outbreak on the District’s operations and finances are not fully known as the situation continues to evolve. The District cannot predict whether similar legislation providing State and federal one-time relief funding would be enacted in the future in the event the outbreak of COVID-19 continues or a similar or other outbreak of a highly contagious disease or epidemic disease were to occur in the future.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the California Education Code (the “Charter School Law”). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education. A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) 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 (c) provide competition within the public school system to stimulate improvements in all public schools.

A school district has certain fiscal oversight and other responsibilities with respect to both dependent and independent charter schools. However, independent charter schools that receive their funding directly from the State are generally not included in a school district's financial reports and audited financial statements and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Dependent charter schools receive their funding from the school district and would generally be included in the school district's financial reports and audited financial statements.

At this time, there are no charter schools operating in the District, and there are no applications for charter schools currently pending. The District cannot provide any assurances as to whether any new charter schools will be established within the territory of the District, or as to the impact any charter school developments may have on the District's finances in future years.

Significant Accounting Policies and Audited Financial Statements

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are required to be accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all State school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2022, which are included as Appendix B to the Official Statement.

Independently audited financial statements are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. Typically, school districts in the State are required to file their audited financial statements for the preceding fiscal year with the State Controller's Office, the State Superintendent of Public Instruction, and the county superintendent of schools by December 15 of each year. However, in response to the COVID-19 pandemic and the challenges it presents for school district operations, Senate Bill 98 (Chapter 24, enacted on June 29, 2020, as an urgency bill) provided that a school district's audited financial statements for fiscal year 2019-20 were not due until March 31, 2021. Accordingly, the District filed its audited financial statements for fiscal year 2019-20 with the State Controller's Office, the State Superintendent of Public Instruction, and the San Bernardino County Superintendent of Schools by March 31, 2021. Pursuant to Assembly Bill 130 (Chapter 44, enacted on July 9, 2021), the deadline for school districts to file their audited financial statements for fiscal year 2020-21 was extended to January 31, 2022. Accordingly, the District filed its audited financial statements for fiscal year 2020-21 with the State Controller's Office, the State Superintendent of Public Instruction, and the San Bernardino County Superintendent of Schools by January 31, 2022. The deadline for school districts to file their audited financial statements for fiscal year 2021-22 was not extended.

The District was granted an extension to file its audited financial statements for fiscal year 2021-22 due to the additional work necessary to implement GASB Statement No. 87. For more information on GASB Statement No. 87, see "District Debt Structure – *Leases*" herein. Accordingly, the District filed its audited financial statements for fiscal year 2021-22 with the State Controller's Office, the State Superintendent of Public Instruction, and the San Bernardino County Superintendent of Schools in February 2023.

The District's contract with its former independent auditor, CliftonLarsonAllen LLP, Glendora, California ("CLA"), terminated at the end of fiscal year 2018-19 and, subsequently, pursuant to a selection process involving requests for proposals from multiple accounting firms, Eide Bailly LLP, Rancho Cucamonga, California ("Eide Bailly") was selected as the District's auditor. The change in auditor in

fiscal year 2019-20 resulted in the District presenting certain financial information differently in its audited financial statements. Thus, the information presented in the tables below for fiscal years 2017-18 and 2018-19, and fiscal years 2019-20 through 2021-22 are categorized differently. Although historical total revenue and expenditure figures are comparatively consistent, the categorical breakdown of revenues and expenditures is different for the revised accounting formats and is not directly comparable.

CLA and Eide Bailly have not been requested to consent to the use or to the inclusion of their respective reports in this Official Statement, and they have not audited or reviewed this Official Statement. The following tables are only a summary of the general fund financial statements of the District for the fiscal years shown. The District's audited financial statements for the fiscal year ended June 30, 2022 are described throughout this Appendix A and are included as Appendix B to this Official Statement. The complete audited financial statements of the District, including the notes to the audited financial statements, are an integral part of this Official Statement.

In connection with its review of the District's financial statements for fiscal year 2021-22, Eide Bailly identified audit findings for fiscal years 2020-21 and 2021-22, including those relating to internal controls, which resulted in restatements to fund balances. For information on such audit findings, see pages 103-110 of the District's audited financial statements for fiscal year 2021-22 in Appendix B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022."

The table on the following page sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2017-18 and 2018-19. The table on page A-32 sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2019-20 through 2021-22.

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RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2017-18 and 2018-19

	Fiscal Year 2017-18 <u>Audited Actuals</u>	Fiscal Year 2018-19 <u>Audited Actuals</u>
REVENUES		
LCFF sources:		
State apportionments	\$228,317,639	\$240,262,835
Local sources	25,674,876	30,666,659
Total LCFF sources	253,992,515	270,929,494
Federal sources	17,871,192	17,600,098
Other State sources	29,342,790	44,709,985
Other local sources	12,723,728	14,062,623
Total Revenues	<u>313,930,225</u>	<u>347,302,200</u>
EXPENDITURES		
Instruction	173,272,060	191,910,641
Instruction – related services	42,184,096	49,168,925
Pupil services	31,422,351	37,093,695
Community services	927	-
General administration	16,150,632	18,274,473
Plant services	37,096,893	40,420,149
Other outgo	668,910	96,282
Debt service	1,541,323	5,629,968
Total Expenditures	<u>302,337,192</u>	<u>342,594,133</u>
Excess (deficiency) of revenues over expenditures	<u>11,593,033</u>	<u>4,708,067</u>
Other Financing Sources (Uses)		
Interfund transfers in ⁽¹⁾	1,194,351	887,045
Interfund transfers out ⁽²⁾	(5,388,298)	(2,115,814)
Other financing sources ⁽³⁾	-	905,872
Total other financing sources (uses)	<u>(4,193,947)</u>	<u>(322,897)</u>
Net change in fund balance	<u>7,399,086</u>	<u>4,385,170</u>
Fund Balances at Beginning of Year	<u>64,520,300</u>	<u>71,919,386</u>
Fund Balances at End of Year	<u>\$71,919,386</u>	<u>\$76,304,556</u>

⁽¹⁾ Transfers in from the special reserve fund for capital outlay projects and the building fund for various project costs.

⁽²⁾ The District makes periodic transfers to the child development fund for operating contributions and to the special reserve fund for capital outlay projects.

⁽³⁾ Proceeds from debt are reported in the general fund as a source of financing.

Source: Rialto Unified School District Audited Financial Statements for fiscal years 2017-18 and 2018-19.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2019-20 through 2021-22⁽¹⁾

	Fiscal Year 2019-20 <u>Audited Actuals</u>	Fiscal Year 2020-21 <u>Audited Actuals</u>	Fiscal Year 2021-22 <u>Audited Actuals</u>
REVENUES			
Local Control Funding Formula	\$281,031,623	\$280,954,452	\$304,448,344
Federal sources	16,171,129	54,288,043	33,896,285
Other State sources	29,887,793	40,188,453	54,451,781
Other local sources	16,849,074	21,204,720	21,774,898
Total Revenues	<u>343,939,619</u>	<u>396,635,668</u>	<u>414,571,308</u>
EXPENDITURES			
Current			
Instruction	202,125,207	209,763,108	224,265,825
Instruction-related activities:			
Supervision of instruction	12,988,875	11,214,542	14,150,173
Instructional library, media, and technology	4,588,620	4,820,521	4,845,294
School site administration	22,353,750	23,506,991	26,720,843
Pupil services:			
Home-to-school transportation	9,430,452	4,632,438	8,262,728
Food services	27,493	43,668	218,347
All other pupil services	27,082,097	26,606,778	33,705,646
Administration:			
Data processing	5,534,547	8,348,859	7,104,091
All other administration	11,965,891	13,612,976	14,813,612
Plant services	31,353,934	43,783,620	35,612,598
Other outgo	80,189	163,247	58,170
Facility acquisition and construction	6,352,366	7,456,726	28,780,322
Debt service:			
Principal	821,471	839,998	1,134,102
Interest and other	479,746	460,357	463,744
Total Expenditures	<u>335,184,638</u>	<u>355,253,829</u>	<u>400,135,495</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,754,981</u>	<u>41,381,839</u>	<u>14,435,813</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out ⁽²⁾	(5,105,461)	(7,396,942)	(10,022,372)
Net Financing Sources (Uses)	<u>(5,105,461)</u>	<u>(7,396,942)</u>	<u>(10,022,372)</u>
Net Change in Fund Balances	<u>3,649,520</u>	<u>33,984,897</u>	<u>4,413,441</u>
Fund Balance – Beginning, as restated	<u>76,304,556</u>	<u>79,954,076</u>	<u>113,938,973</u>
Fund Balance – Ending	<u>\$79,954,076</u>	<u>\$113,938,973</u>	<u>\$118,352,414</u>

⁽¹⁾ Pursuant to Governmental Accounting Standards Board (“GASB”) Statement No. 54, the District’s audited financial statements include the financial activity of the deferred maintenance fund with the District’s general fund.

⁽²⁾ The District makes periodic transfers to the child development fund for operating contributions and to the special reserve fund for capital outlay projects.

Source: Rialto Unified School District Audited Financial Statements for fiscal years 2019-20 through 2021-22.

The following table sets forth the general fund balance sheet of the District for fiscal years 2017-18 and 2018-19. The table on page A-34 sets forth the general fund balance sheet of the District for fiscal years 2019-20 through 2021-22.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Summary of General Fund Balance Sheet
Fiscal Years 2017-18 and 2018-19

	Fiscal Year 2017-18 Audited Actuals	Fiscal Year 2018-19 Audited Actuals
ASSETS		
Cash in County treasury	\$91,727,192	\$88,974,132
Cash in revolving fund	90,000	90,000
Accounts receivable:		
Federal and State governments	8,692,001	9,290,268
Miscellaneous	1,943,930	3,263,060
Due from other funds	634,738	3,755,486
Inventories	160,352	158,770
Prepaid expenditures	364,449	533,295
Total Assets	<u>\$103,612,662</u>	<u>\$106,065,011</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$29,977,100	\$25,674,462
Due to other funds	1,317,335	2,981,073
Unearned revenue	398,841	1,104,920
Total Liabilities	<u>31,693,276</u>	<u>29,760,455</u>
Fund Balances		
Nonspendable	614,801	782,065
Restricted	9,748,086	10,019,175
Assigned	23,668,256	42,461,718
Unassigned	37,888,243	23,041,598
Total Fund Balances	<u>71,919,386</u>	<u>76,304,556</u>
Total Liabilities and Fund Balances	<u>\$103,612,662</u>	<u>\$106,065,011</u>

Source: Rialto Unified School District Audited Financial Statements for fiscal years 2017-18 and 2018-19.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Summary of General Fund Balance Sheet
Fiscal Years 2019-20 through 2021-22

	Fiscal Year 2019-20 Audited Actuals	Fiscal Year 2020-21 Audited Actuals	Fiscal Year 2021-22 Audited Actuals
ASSETS			
Deposits and investments	\$64,699,953	\$142,635,248	\$161,202,817
Receivables	48,359,179	37,650,190	23,667,434
Due from other funds	3,268,160	3,837,718	3,622,103
Prepaid expenditures	324,981	382,009	777,690
Stores inventories	169,177	169,997	216,783
Total Assets	\$116,821,450	\$184,675,162	\$189,486,827
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$33,034,420	\$31,695,508	\$60,542,962
Due to other funds	2,102,780	3,380,072	2,617,765
Current loans	-	31,630,000	-
Unearned revenue	1,730,174	4,030,609	7,973,686
Total Liabilities	36,867,374	70,736,189	71,134,413
Fund Balances			
Nonspendable	599,158	657,006	1,099,473
Restricted	11,718,863	22,757,552	35,895,995
Committed	-	10,841,230	9,133,450
Assigned	57,423,931	65,017,959	53,474,561
Unassigned	10,212,124	14,665,226	18,748,935
Total Fund Balances	79,954,076	113,938,973	118,352,414
Total Liabilities and Fund Balances	\$116,821,450	\$184,675,162	\$189,486,827

Source: Rialto Unified School District Audited Financial Statements for fiscal years 2019-20 through 2021-22.

District Budget Process and County Review

Budget Process. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

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

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to 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 with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the

county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

The governing board of the school district, together with the county superintendent, must review and respond to the recommendations of the county superintendent on or before October 8 at a regular meeting of the governing board of the school district. The county superintendent will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent disapproves a revised budget, the county superintendent will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the Superintendent of Public Instruction (the "State Superintendent") may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations. If, after taking various remedial actions, the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

Interim Reporting. A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the California Education Code (Section 42100 *et seq.*), each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then-current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then-current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then-current projections, may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the State

Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district's repayment of indebtedness is probable. In the past five years, the District has not received a negative or qualified certification for an interim financial report.

County and State Response to School Districts Under Financial Distress. For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the State Superintendent and the president of the State board or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State general fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State general fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State general fund that must be repaid in 20 years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State general fund will be based upon the availability of funds within the State general fund.

District's Fiscal Year 2022-23 Budget and Estimated Actuals. The District's original adopted general fund budget for fiscal year 2022-23 (the "Fiscal Year 2022-23 Budget"), which was adopted by the Board of Education on June 22, 2022, is included in the table that follows. The Fiscal Year 2022-23 Budget reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2022-23 State budget. The Fiscal Year 2022-23 Budget does not contain historical facts but consist of forecasts and "forward-looking statements" at the time of preparation thereof. The achievement of certain results or other expectations contained in the Fiscal Year 2022-23 Budget involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates,

and other forward-looking statements contained in the Fiscal Year 2022-23 Budget are expressly qualified in their entirety by the foregoing and the other cautionary statements.

The District revises its projections of revenues, expenditures, and ending fund balances contained in the Fiscal Year 2022-23 Budget as more financial data becomes available throughout the fiscal year. Accordingly, the Fiscal Year 2022-23 Estimated Actuals reflect actual financial data through June 1, 2023 and projections for the remainder of fiscal year 2022-23 based on such data. The Fiscal Year 2022-23 Estimated Actuals, which were presented to the Board of Education in connection with the adoption of the Fiscal Year 2023-24 Budget on June 21, 2023, are included in the table that follows and described throughout this Appendix A. The achievement of certain results or other expectations contained in the Fiscal Year 2022-23 Estimated Actuals involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2022-23 Estimated Actuals are expressly qualified in their entirety by the foregoing and the other cautionary statements.

District's Fiscal Year 2023-24 Budget. The District's Fiscal Year 2023-24 Budget, which was adopted by the Board of Education on June 21, 2023, is included in the table that follows and described throughout this Appendix A. The Fiscal Year 2023-24 Budget reflects the assumptions contained in the 2023-24 May Revision. The District is budgeting deficit spending in fiscal year 2023-24 due in part to the removal of one-time State funds from the Fiscal Year 2022-23 Estimated Actuals to the Fiscal Year 2023-24 Budget and the spend down of one-time State and federal funds that were recognized in the Fiscal Year 2022-23 Estimated Actuals as revenues but budgeted as expenditures in the Fiscal Year 2023-24 Budget. The Fiscal Year 2023-24 Budget may be revised throughout fiscal year 2023-24 as additional information becomes available. As of the date of this Official Statement, the District is reviewing and assessing the impact of the 2023-24 State Budget on its finances and operations.

The Fiscal Year 2023-24 Budget does not contain historical facts but consist of forecasts and "forward-looking statements." The achievement of certain results or other expectations contained in the Fiscal Year 2023-24 Budget involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2023-24 Budget are expressly qualified in their entirety by the foregoing and the other cautionary statements.

The table on the following page sets forth the District's original adopted general fund budgets for fiscal years 2020-21 through 2022-23, Fiscal Year 2023-24 Budget, unaudited actuals for fiscal years 2020-21 and 2021-22, and the Fiscal Year 2022-23 Estimated Actuals.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
General Fund Budgets for Fiscal Years 2020-21 through 2023-24,
Unaudited Actuals for Fiscal Years 2020-21 and 2021-22
and Estimated Actuals for Fiscal Year 2022-23⁽¹⁾

	2020-21 Original Budget ⁽²⁾	2020-21 Unaudited Actuals	2021-22 Original Budget	2021-22 Unaudited Actuals	2022-23 Original Budget	2022-23 Estimated Actuals ⁽³⁾	2023-24 Original Budget ⁽⁴⁾⁽⁵⁾
REVENUES							
LCFF Sources	\$258,540,873.00	\$280,954,451.47	\$295,013,933.00	\$304,448,343.38	\$324,475,179.00	\$335,663,704.00	\$353,494,452.00
Federal Revenue	43,022,857.00	54,933,602.70	35,959,576.00	27,721,436.43	45,723,101.00	44,854,600.33	71,462,678.25
Other State Revenue	24,492,806.00	40,188,453.17	25,923,342.00	52,794,019.98	56,641,003.00	99,687,902.66	60,494,690.98
Other Local Revenue	12,387,132.00	20,443,390.35	15,452,191.00	21,989,110.33	20,720,072.00	29,028,272.00	26,032,159.53
Total Revenues	<u>338,443,668.00</u>	<u>396,519,897.69</u>	<u>372,349,042.00</u>	<u>406,952,910.12</u>	<u>447,559,355.00</u>	<u>509,234,478.99</u>	<u>511,483,980.76</u>
EXPENDITURES							
Certificated Salaries ⁽⁶⁾	132,131,005.00	130,738,916.87	150,669,513.10	147,188,688.66	174,480,440.00	160,977,845.93	182,379,176.00
Classified Salaries ⁽⁶⁾	51,396,191.00	46,216,651.55	57,592,145.25	53,531,113.11	63,274,541.46	63,064,888.41	76,856,600.00
Employee Benefits ⁽⁶⁾	94,653,894.76	97,539,757.10	111,761,906.26	106,092,223.08	134,557,829.25	121,890,468.20	137,686,084.13
Books and Supplies	13,683,602.00	30,776,373.25	26,571,252.70	35,220,619.37	35,475,710.65	32,782,516.63	75,542,965.64
Services, Other Operating Expenses	56,530,114.54	40,946,672.81	50,455,648.00	49,395,847.09	68,462,385.98	58,727,148.14	60,315,191.63
Capital Outlay	2,921,971.00	4,382,560.00	18,242,051.00	4,347,970.87	14,407,403.00	20,569,184.46	19,183,565.61
Other Outgo (excluding Transfers of Indirect Costs)	1,370,356.00	1,376,769.50	1,350,260.00	1,358,524.90	1,400,882.00	1,422,828.00	1,399,780.00
Transfers of Indirect Costs	(669,850.00)	(466,489.48)	(803,319.00)	(535,477.74)	(834,674.00)	(777,220.29)	(783,920.61)
Total Expenditures	<u>352,017,284.30</u>	<u>351,511,211.60</u>	<u>415,839,457.31</u>	<u>396,599,509.34</u>	<u>491,224,518.34</u>	<u>458,657,659.48</u>	<u>552,579,442.40</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(13,573,616.30)</u>	<u>45,008,686.09</u>	<u>(43,490,415.31)</u>	<u>10,353,400.78</u>	<u>(43,665,163.34)</u>	<u>50,576,819.51</u>	<u>(41,095,461.64)</u>
OTHER FINANCING SOURCES (USES)							
Inter-fund Transfers In	-	-	-	-	-	-	-
Inter-fund Transfers Out ⁽⁷⁾	(1,055,225.00)	(9,863,097.18)	(3,179,573.00)	(15,435,681.45)	(2,108,725.00)	(14,182,474.16)	(6,319,626.00)
Total, Other Financing Sources (Uses)	<u>(1,055,225.00)</u>	<u>(9,863,097.18)</u>	<u>(3,179,573.00)</u>	<u>(15,435,681.45)</u>	<u>(2,108,725.00)</u>	<u>(14,182,474.16)</u>	<u>(6,319,626.00)</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>(14,628,841.30)</u>	<u>35,145,588.91</u>	<u>(46,669,988.31)</u>	<u>(5,082,280.67)</u>	<u>(45,773,888.34)</u>	<u>36,394,345.35</u>	<u>(47,415,087.64)</u>
BEGINNING BALANCE, as of July 1	62,652,311.84	72,987,790.56	110,205,064.86	108,133,379.47	91,250,331.30	102,901,039.73	145,664,403.90
Audit Adjustments⁽⁸⁾	-	-	-	-	-	6,176,813.00	-
As of July 1 – Audited	62,652,311.84	72,987,790.56	110,205,064.86	108,133,379.47	91,250,331.30	109,077,852.73	145,664,403.90
Other Restatements⁽⁹⁾	-	-	-	(150,059.07)	-	192,205.82	-
Adjusted Beginning Balance	<u>62,652,311.84</u>	<u>72,987,790.56</u>	<u>110,205,064.86</u>	<u>107,983,320.40</u>	<u>91,250,331.30</u>	<u>109,270,058.55</u>	<u>145,664,403.90</u>
ENDING BALANCE	<u>\$48,023,470.54</u>	<u>\$108,133,379.47</u>	<u>\$63,535,076.55</u>	<u>\$102,901,039.73</u>	<u>\$45,476,442.96</u>	<u>\$145,664,403.90</u>	<u>\$98,249,316.26</u>

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
General Fund Budgets for Fiscal Years 2020-21 through 2023-24,
Unaudited Actuals for Fiscal Years 2020-21 and 2021-22
and Estimated Actuals for Fiscal Year 2022-23⁽¹⁾
(Continued)

	2020-21 Original Budget ⁽²⁾	2020-21 Unaudited Actuals	2021-22 Original Budget	2021-22 Unaudited Actuals	2022-23 Original Budget	2022-23 Estimated Actuals ⁽³⁾	2023-24 Original Budget ⁽⁴⁾⁽⁵⁾
FUND BALANCE							
Nonspendable	\$230,000.00	\$657,005.63	\$230,000.00	\$1,099,472.41	\$230,000.00	\$230,000.00	\$230,000.00
Restricted ⁽¹⁰⁾	9,292,574.60	22,757,551.99	3,509,481.45	35,895,994.92	14,867,165.26	87,604,608.05	49,775,624.16
Committed	-	10,841,230.00	8,850,418.00	9,133,450.30	9,734,255.00	10,069,911.00	10,604,834.00
Assigned ⁽¹¹⁾	27,908,720.66	59,212,365.00	37,814,116.13	44,200,000.00	5,835,128.57	33,574,680.85	20,871,885.10
Reserved for Economic Uncertainties	10,592,175.28	10,841,230.00	12,570,571.00	12,361,055.72	14,799,997.00	14,185,204.00	16,766,973.00
Unassigned/Unappropriated	-	3,823,996.85	560,489.97	211,066.38	9,897.13	-	-
	<u>\$48,023,470.54</u>	<u>\$108,133,379.47</u>	<u>\$63,535,076.55</u>	<u>\$102,901,039.73</u>	<u>\$45,476,442.96</u>	<u>\$145,664,403.90</u>	<u>\$98,249,316.26</u>

⁽¹⁾ Pursuant to GASB Statement No. 54, the District's audited financial statements include the financial activity of the deferred maintenance fund with the District's general fund, but the District's unaudited actuals, adopted budgets, and interim reports reflect only the unrestricted and restricted general fund.

⁽²⁾ Reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2020-21 State budget, which were significantly revised in the fiscal year 2020-21 State budget and in subsequent District financial projections for such fiscal year.

⁽³⁾ Figures are projections.

⁽⁴⁾ Reflects the Fiscal Year 2023-24 Budget.

⁽⁵⁾ The District is budgeting deficit spending in fiscal year 2023-24 due in part to the removal of one-time State funds from the Fiscal Year 2022-23 Estimated Actuals to the Fiscal Year 2023-24 Budget and the spend down of one-time State and federal funds that were recognized in the Fiscal Year 2022-23 Estimated Actuals as revenues but budgeted as expenditures in the Fiscal Year 2023-24 Budget.

⁽⁶⁾ Although the District remains in negotiations with all of its bargaining units with respect to fiscal year 2023-24, the District assumes certain salary and benefit increases for all bargaining units in the aggregate amount of approximately \$24 million reflected as expenditures in the Fiscal Year 2023-24 Budget. For more information, see "– Employment" below.

⁽⁷⁾ The District makes periodic transfers to the child development fund, the deferred maintenance fund, and the special reserve fund for capital outlay projects.

⁽⁸⁾ The District's audit adjustment in fiscal year 2022-23 reflects a correction made to the fiscal year 2021-22 audited financial statements related to an understatement of general fund revenues related to the Federal Emergency Connectively Fund program. For more information, see pages 84 and 103-104 to the District's financial statements in Appendix B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022."

⁽⁹⁾ Restatement in the District's unaudited actuals for fiscal year 2021-22 reflects a correction to the beginning fund balance of the child development fund to cover a contribution due from the general fund after the District closed out its books. Restatement in the Fiscal Year 2022-23 Estimated Actuals reflects a journal entry correction of grant funds that were used for a different purpose than planned.

⁽¹⁰⁾ The District recognized receipt of one-time State funds in fiscal year 2022-23 and is budgeting to spend down such funds in fiscal year 2023-24. As a result, there is a decrease in the District's restricted ending fund balance from the Fiscal Year 2022-23 Estimated Actuals to the Fiscal Year 2023-24 Budget due to the removal of such one-time State funds in fiscal year 2023-24.

⁽¹¹⁾ Fiscal Year 2022-23 Estimated Actuals assigned component of the general fund ending balance includes set aside for a District-wide playground replacement project and for future deficit spending.

Source: Rialto Unified School District original adopted general fund budgets for fiscal years 2020-21 through 2022-23; Fiscal Year 2023-24 Budget; unaudited actuals for fiscal years 2020-21 and 2021-22; and Fiscal Year 2022-23 Estimated Actuals.

District Debt Structure

Long-Term Debt Summary. Changes in the District’s long-term obligations, other than other post-employment benefits (“OPEB”) and pension liabilities, for the fiscal year ended June 30, 2022, consisted of the following:

	Balance July 1, 2021, as Restated	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General Obligation Bonds ⁽¹⁾	\$136,413,736	\$5,664,204	\$(8,489,142)	\$133,588,798	\$9,167,578
Unamortized Debt Premiums	3,088,281	-	(223,375)	2,864,906	-
Unamortized Debt Discounts	(335,386)	-	71,233	(264,153)	-
Leases ⁽²⁾	1,134,892	-	(274,296)	860,596	264,484
Financed Purchase Agreement – Energy Upgrades	8,733,570	-	(692,479)	8,041,091	711,176
Financed Purchase Agreement – Energy Efficiency	603,533	-	(131,680)	471,853	131,680
City of Rialto Redevelopment Agency Loan	4,290,535	-	(35,647)	4,254,888	38,050
Compensated Absences	729,891	112,165	-	842,056	-
Supplement Early Retirement Plan	11,127,148	-	(3,873,608)	7,253,540	3,873,608
Total	<u>\$165,786,200</u>	<u>\$5,776,369</u>	<u>\$(13,648,994)</u>	<u>\$157,913,575</u>	<u>\$14,186,576</u>

⁽¹⁾ Does not reflect the issuance of the Series 2023 Bonds.

⁽²⁾ Included as a long-term liability pursuant to GASB Statement No. 87 (defined below). For more information on the District’s operating leases and GASB Statement No. 87, see “– Leases” below and the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022.”

Source: Rialto Unified School District Audited Financial Statements for fiscal year 2021-22.

General Obligation Bonds. Prior to the issuance of the Series 2023 Bonds, the District has outstanding six series of general obligation bonds, each of which is secured by *ad valorem* taxes levied upon all property subject to taxation by the District.

See “THE SERIES 2023 BONDS – Outstanding Bonds” and “– Aggregate Debt Service” in the front portion of this Official Statement for more information about such outstanding bonds.

Leases. The District has entered into agreements to lease various equipment. As of June 30, 2022, pursuant to GASB Statement No. 87, the District recognized a right-to-use asset of \$872,330 and a lease liability of \$860,596 related to such agreements. The District is required to make principal and interest payments through April 2026 on its current equipment leases at an interest rate of 3.00%.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$264,484	\$23,478	\$287,962
2024	251,189	15,897	267,086
2025	176,704	9,091	185,795
2026	168,219	3,541	171,760
Total	<u>\$860,596</u>	<u>\$52,007</u>	<u>\$912,603</u>

Source: Rialto Unified School District Audited Financial Statements for fiscal year 2021-22.

For more information regarding the leases, see Note 9 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022.”

In June 2017, GASB issued Statement No. 87, Leases (“Statement No. 87”), which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognizes as inflows of resources or outflows of resources based on the payment provisions of the contract. Under Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District has implemented Statement No. 87 in its financial statements beginning with fiscal year 2021-22. For more information on Statement No. 87, see Notes 1 and 16 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022.”

Energy Upgrades Lease. On October 27, 2017, the Rialto Unified School District School Facilities Corporation (the “Corporation”) entered into a lease and assignment financing agreement with Banc of America Public Capital Corp for \$11,500,000. The proceeds were used for District-wide heating, ventilation, and air conditioning, LED lighting and energy managements system upgrades. Repayment terms are annual payments of \$929,285 over 15 years at an interest rate of 2.70%. The lease payment period commenced on March 30, 2018 and the final lease payment is March 30, 2032. At June 30, 2022, the principal balance outstanding was \$8,041,091.

The District’s lease payments are due through March 30, 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$711,176	\$217,109	\$928,285
2024	730,378	197,908	928,286
2025	750,098	178,187	928,285
2026	770,351	157,935	928,286
2027	791,150	137,135	928,285
2028-2032	4,287,938	353,490	4,641,428
Total	<u>\$8,041,091</u>	<u>\$1,241,764</u>	<u>\$9,282,855</u>

Source: Rialto Unified School District Audited Financial Statements for fiscal year 2021-22.

For more information, see Note 9 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022.”

Energy Efficiency Financing. On January 24, 2019, the District entered into an agreement with Southern California Edison Company (“SCE”) to participate in SCE’s “On-Bill Financing Program.” The program allows SCE to provide interest free financing for the installation of various energy efficient equipment which is to be repaid over a specified period through the customer’s electricity bill. The District financed \$905,871 under the financing agreement. Under the terms of the agreement, monthly payments of \$10,873 will be paid over 83 months. As of June 30, 2022, the remaining balance was \$471,853.

As of June 30, 2022, the District's remaining payments are as follows:

Year Ending June 30,	Amount
2023	\$131,680
2024	131,680
2025	131,680
2026	76,813
Total	<u>\$471,853</u>

Source: Rialto Unified School District Audited Financial Statements for fiscal year 2021-22.

For more information, see Note 9 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022."

City of Rialto Redevelopment Agency Loan. During 2005, the District entered into an agreement with the former City of Rialto Redevelopment Agency ("RDA") for a loan of \$2,717,131 for the purpose of financing the cost of labor and materials for the design, installation and/or construction of a football stadium at Rialto High School. During 2008, the District borrowed an additional \$3,390,000 to complete the project. During fiscal year 2014-15 and fiscal year 2018-19, the District was informed that the City of Rialto refinanced the 2005 RDA loan and the 2008 RDA loan, respectively, and the former premium was written off.

Historically, the loan has been repaid by the RDA retaining pass-through payments due to the District in amounts noted on the debt service schedule below. However, given the dissolution of redevelopment agencies in the State (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*" below for more information), the RDA has been dissolved and debt service payments are now paid directly to the City of Rialto. As of June 30, 2022, the principal balance outstanding was \$4,254,888.

Future payments on the City of Rialto Redevelopment Agency Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$38,050	\$202,861	\$240,911
2024	38,851	200,958	239,809
2025	40,053	199,016	239,069
2026	41,254	197,013	238,267
2027	44,058	194,950	239,008
2028-2032	1,373,656	876,761	2,250,417
2033-2037	2,276,036	407,446	2,683,482
2038-2040	402,930	20,147	423,077
Total	<u>\$4,254,888</u>	<u>\$2,299,152</u>	<u>\$6,554,040</u>

Source: Rialto Unified School District Audited Financial Statements for fiscal year 2021-22.

For more information, see Note 9 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022."

Compensated Absences. Total unpaid employee compensated absences (unpaid employee vacation) for the District as of June 30, 2022, amounted to \$842,056.

For more information on compensated absences, see Note 9 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022.”

Supplemental Early Retirement Plan. During fiscal year 2018-19, the District adopted a supplemental early retirement plan whereby certain eligible employees were provided an annuity to supplement the retirement benefits they were entitled to through CalSTRS and CalPERS (both as defined herein). The annuities offered to the employees are paid to the employees over a five-year period, and the District’s obligation is financed over a five-year period. The annuities, which were purchased for 172 employees who retired during the 2018-19 school year, were purchased from United of Omaha Life Insurance Company. As of June 30, 2022, the total balance of outstanding obligations for the supplemental early retirement plan was \$2,183,642.

During fiscal year 2020-21, the District adopted a supplemental early retirement plan whereby certain eligible employees were provided an annuity to supplement the retirement benefits they were entitled to through CalSTRS and CalPERS. The annuities offered to the employees are paid to the employees over a five-year period, and the District’s obligation is financed over a five-year period. The annuities, which were purchased for 120 employees who retired during the 2020-21 school year, were purchased from United of Omaha Life Insurance Company. As of June 30, 2022, the total balance of outstanding obligations for the supplemental early retirement plan was \$5,069,898.

Future payments for the supplemental early retirement plan are as follows:

Year Ending June 30,	2018-19 Plan	2020-21 Plan	Total Future Payments
2023	\$2,183,642	\$1,689,966	\$3,873,608
2024	-	1,689,966	1,689,966
2025	-	1,689,966	1,689,966
Total	<u>\$2,183,642</u>	<u>\$5,069,898</u>	<u>\$7,253,540</u>

Source: Rialto Unified School District Audited Financial Statements for fiscal year 2021-22.

For more information on the District’s supplemental early retirement plan payments, see Note 9 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022.”

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with California State Teachers’ Retirement System (“CalSTRS”) and California Public Employees’ Retirement System (“CalPERS”), the District provides OPEB under two different plans: (1) the District’s multiple-employer defined OPEB plan (the “District Plan”) and (2) the cost-sharing multiple-employer OPEB plan administered by CalSTRS through the Teachers’ Health Benefits Fund (the “MPP Plan”).

For fiscal year 2021-22, the District reported the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the District Plan and the MPP Plan as follows:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$26,753,261	\$9,990,499	\$2,799,223	\$3,126,394
MPP Plan	1,370,386	-	-	(333,039)
Total	<u>\$28,123,647</u>	<u>\$9,990,499</u>	<u>\$2,799,223</u>	<u>\$2,793,355</u>

Source: Rialto Unified School District Audited Financial Statements for fiscal year 2021-22.

District Plan. The District Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the District Plan. The Board of Education administers the District Plan and has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements. In order to prefund its OPEB liability, the District has established and accumulated assets in the trust (the “Trust”), which is an irrevocable trust that meets the criteria of Statement No. 75 (as defined below). As of the June 30, 2021 valuation date, the District Plan membership consisted of 2,177 total employees, including 1,935 active employees and 242 inactive employees or beneficiaries currently receiving benefits payments.

The contribution requirements for the District Plan are established and may be amended by the District, Rialto Education Association CTA/NEA (“REA”), California School Employees Association, Chapter 203 (“CSEA”), and unrepresented groups. The contribution amount is based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits are determined annually by the District, REA, CSEA, and unrepresented groups. For fiscal year 2021-22, the District contributed approximately \$4,713,862 to the District Plan, of which \$3,397,978 was used for current premiums (includes implicit rate subsidy) and \$1,315,884 was transferred to the Trust. Based on the Fiscal Year 2022-23 Estimated Actuals, the District expects to contribute approximately \$7,233,023 to the District Plan in fiscal year 2022-23, of which approximately \$2,246,349 is expected to be used for current premiums (excludes implicit rate subsidy) and approximately \$4,986,674 is expected to be transferred to the Trust. The increase in the projected contribution to the Trust in fiscal year 2022-23 is due to the District having excess funds available for a larger projected contribution. Based on the Fiscal Year 2023-24 Budget, the District budgets to contribute approximately \$5,509,097 to the District Plan in fiscal year 2023-24, of which approximately \$2,350,171 is expected to be used for current premiums (excludes implicit rate subsidy) and approximately \$3,158,926 is expected to be transferred to the Trust.

DFA, LLC prepared an actuarial valuation for the District Plan, dated July 26, 2022, using the June 30, 2021 valuation and measurement date (the “Actuarial Valuation”). According to the Actuarial Valuation, as of June 30, 2022, the District had a total OPEB liability of \$43,517,764 and a net OPEB liability of \$26,753,261, as a result of the fiduciary net position of the Trust of \$16,764,503. Such total and net OPEB liability reflect an increase from the District’s total and net OPEB liability for fiscal year 2020-21. As of June 30, 2021, the District had a total OPEB liability of \$39,958,181 and a net OPEB liability of \$26,455,197, as a result of the fiduciary net position of the Trust of \$13,502,984. The Actuarial Valuation uses the following assumptions: a discount rate of 5.50% (same as prior year), an inflation rate of 2.75% (previously 3.00%), a salary increase rate of 3.00% (same as prior year), and a healthcare cost trend rate of 6.00% for the year 2021 (previously 5.80% for the year 2020). Such assumptions are consistent with the District’s audited financial statements for fiscal year 2021-22, with the exception of an inflation rate of 3.00% for fiscal year 2021-22.

The following table summarizes the changes in the District's total OPEB liability, fiduciary net position, and net OPEB liability during the fiscal year ended June 30, 2022:

Total OPEB Liability	
Total OPEB Liability – June 30, 2020 ⁽¹⁾	\$39,958,181
Service cost	1,685,763
Interest cost	2,198,223
Benefit payments ⁽²⁾	(3,397,978)
Change in plan provisions	-
Difference between expected and actual experience	1,201,931
Changes in assumptions and other inputs	1,871,644
Total OPEB Liability – June 30, 2021 ⁽³⁾	<u>\$43,517,764</u>
Plan Fiduciary Net Position	
Plan Fiduciary Net Position – June 30, 2020 ⁽¹⁾	\$13,502,984
Contributions ⁽²⁾	4,713,862
Expected investment income	778,069
Benefit payments ⁽²⁾	(3,397,978)
Net transfers	-
Difference between actual and expected return on assets	1,167,566
Plan Fiduciary Net Position – June 30, 2021 ⁽³⁾	<u>\$16,764,503</u>
Net OPEB Liability	<u>\$26,753,261</u>

⁽¹⁾ Balance for the reporting period ending June 30, 2021.

⁽²⁾ Includes implicit rate subsidy of \$995,052.

⁽³⁾ Balance for the reporting period ending June 30, 2022.

Source: Actuarial Valuation.

MPP Plan. The MPP Plan is established pursuant to Chapter 1032, Statutes of 2000 (SB 1435), and CalSTRS administers the MPP Plan through the Teachers' Health Benefit Fund ("THBF"). A full description of the MPP Plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>. The information referred to at such website is prepared and maintained by CalSTRS and not by the District, and the District can take no responsibility for the continued accuracy of the internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

The MPP Plan pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program ("DB Program") who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services ("CMS") on a monthly basis. The MPP Plan is closed to new entrants as members who retire on or after July 1, 2012 are not eligible for coverage under the MPP Plan.

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

At June 30, 2022, the District reported a liability of \$1,370,386 for its proportionate share of the net OPEB liability for the MPP Plan. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the MPP Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.3436% and 0.3496%, resulting in a net decrease in the proportionate share of 0.0060%. For the fiscal year ended June 30, 2022, the District recognized an OPEB expense of \$(333,039).

For more information regarding the District's OPEB obligations and liabilities for fiscal year 2021-22, see Note 10 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022."

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("Statement No. 75"). OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long-term care benefits. The objective of Statement No. 75 is to improve accounting and financial reporting by the State and local governments for OPEB by requiring the recognition of entire OPEB liability, a more comprehensive measure of OPEB expense, new note disclosures and certain required supplementary information. In addition, Statement No. 75 sets forth additional accounting methods to improve the usefulness of information about OPEB included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. Statement No. 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Statement No. 75 replaces GASB Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The District has implemented Statement No. 75 in its financial statements beginning with fiscal year 2017-18.

Tax and Revenue Anticipation Notes. On March 10, 2021, the District issued \$31,630,000 aggregate principal amount of 2021 Series A-1 State Aid Intercept Notes, dated March 10, 2021 (the "2021 Notes"), through the California School Finance Authority State Aid Intercept Notes (Fiscal Year 2020-21) School and Community College District Deferrals Program. The notes matured on December 30, 2021 and yielded 3.00 percent interest. The 2021 Notes were sold to provide operating cash prior to the District's receipt of anticipated tax payments and other revenues. As of June 30, 2022, the District has fully repaid the 2021 Notes. For more information regarding the 2021 Notes, see Note 8 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022."

Other than the 2021 Notes, the District has not issued tax and revenue anticipation notes ("TRANS") or borrowed funds to supplement the District's cash flow in fiscal years 2021-22 and 2022-23. The District does not currently plan to issue TRANS in fiscal year 2023-24. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

Employment

General. As of the preparation of the Fiscal Year 2023-24 Budget, the District employs approximately 2,750.8 full-time equivalent ("FTE") employees, including approximately 1,406.0 FTE certificated (credentialed teaching) staff, approximately 1,107.8 FTE classified (non-teaching) staff, and

approximately 237.0 FTE management personnel. For fiscal year 2021-22, the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District were approximately \$130.74 million and \$50.12 million, respectively. As of the Fiscal Year 2022-23 Estimated Actuals, the District estimates that the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District will be approximately \$163.94 million and \$70.71 million, respectively, in fiscal year 2022-23. As of the Fiscal Year 2023-24 Budget, the District budgets that the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District will be approximately \$185.17 million and \$85.25 million, respectively, in fiscal year 2023-24. These employees, except unrepresented management employees, are represented by REA, CSEA, and Communications Workers of America Local 9588 (“CWA”) as described in more detail below.

REA. REA represents approximately 1,406.0 FTE certificated (credentialed teaching) employees in the District. The District and REA entered into a multi-year contract effective July 1, 2020 that expires on June 30, 2023 and provides for the ability to reopen and renegotiate certain terms of the contract each year. Negotiations between the District and REA for a successor contract, including salary and benefit increases for fiscal year 2023-24, are ongoing. The actual financial impact of any salary and benefit increases is not reflected in the Fiscal Year 2023-24 Budget. The District has, however, assumed salary and benefit increases for all bargaining units in the aggregate amount of approximately \$24 million reflected as expenditures in the Fiscal Year 2023-24 Budget. Such amount includes salary and benefit increases of approximately 8.22% for all bargaining units based on a projected 8.22% cost-of-living adjustment included in the 2023-24 May Revision. At this time, the District cannot predict whether such assumptions will cover the salary and benefit increases that result from the District’s negotiations with REA.

CSEA. CSEA represents approximately 1,107.8 FTE classified (non-teaching) employees in the District. The District and CSEA entered into a multi-year contract effective July 1, 2022 that expires on June 30, 2025 and provides for the ability to reopen and renegotiate certain terms of the contract each year. Reopener negotiations between the District and CSEA for fiscal year 2023-24 on the topics of salary and benefits are ongoing. The actual financial impact of any salary and benefit increases is not reflected in the Fiscal Year 2023-24 Budget. As noted above, the District has, however, assumed salary and benefit increases for all bargaining units in the aggregate amount of approximately \$24 million reflected as expenditures in the Fiscal Year 2023-24 Budget. At this time, the District cannot predict whether such assumptions will cover the salary and benefit increases that result from the District’s negotiations with CSEA.

CWA. CWA represents hourly certificated (credentialed teaching) employees in the District. The District and CWA entered into a multi-year contract effective July 1, 2021 that expires on June 30, 2024 and provides for the ability to reopen and renegotiate certain terms of the contract each year. Reopener negotiations between the District and CWA for fiscal year 2023-24 on the topics of salary and benefits are ongoing. The actual financial impact of any salary and benefit increases is not reflected in the Fiscal Year 2023-24 Budget. As noted above, the District has, however, assumed salary and benefit increases for all bargaining units in the aggregate amount of approximately \$24 million reflected as expenditures in the Fiscal Year 2023-24 Budget. At this time, the District cannot predict whether such assumptions will cover the salary and benefit increases that result from the District’s negotiations with CWA.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, including teachers and administrators, and CalPERS, which covers certain classified

employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. The CalSTRS defined benefit pension plan provides retirement benefits (generally 2% of final compensation for each year of credited service) to participating employees based on hiring date, age, final compensation and years of credited service. The CalSTRS benefit pension plan is funded through a combination of investment earnings and statutorily set contributions from participating employees, employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily set rates did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employee, employer and State contributions to CalSTRS were not sufficient to pay actuarially determined amounts. To address the shortfall and implement a new funding strategy, Assembly Bill 1469, signed into law by former Governor Brown as part of the fiscal year 2014-15 State budget, increased employee, employer and State contributions to CalSTRS as part of a plan to eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014.

Pursuant to AB 1469, since fiscal year 2021-22, the State Teachers' Retirement Board is authorized to modify the percentages paid by employers and employees to eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations and subject to certain limitations. The State Teachers' Retirement Board may not increase the employer contribution rate by more than 1% in any fiscal year up to a maximum contribution rate of 20.25%. The State Teachers' Retirement Board may also adjust the State's contribution rate by a maximum of 0.5% from year to year, based on the funding status of the CalSTRS actuarially determined unfunded liability. A decrease in investment earnings may result in increased employer contribution rates in order to timely eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations. The District cannot predict the impact of State, national, and international events on investment earnings and contribution rates or the amount the District will be required to pay for pension related costs in future fiscal years.

The employer contribution rate for fiscal year 2021-22 was 16.92%, which reflects a 2.18% reduction from the statutorily prescribed rate as a result of the State redirecting certain State supplemental pension payments to reduce employer contribution rates in fiscal years 2020-21 and 2021-22. For fiscal year 2022-23, the employer contribution rate was approximately 19.10% of covered payroll and will remain at 19.10% for fiscal year 2023-24. The employer contribution rate is inclusive of the employer base contribution of 8.25% of payroll provided by the California Education Code. The State's total contribution was increased from approximately 6.828% of payroll in fiscal year 2017-18 to 10.828% of payroll in fiscal year 2021-22. The State's contribution rate was 10.828% of payroll for fiscal year 2022-23, and will remain at 10.828% for fiscal year 2023-24. The State's contribution includes an annual payment of 2.5% of payroll pursuant to a supplemental inflation protection program. The employee contribution rate for CalSTRS members first hired on or before December 31, 2012 to perform CalSTRS creditable activities (i.e. CalSTRS 2% at 60 members) was 10.25% for fiscal years 2016-17 through 2022-23 and will remain at 10.25% for fiscal year 2023-24. The employee contribution rate for CalSTRS members first hired on or after January 1, 2013 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 62 members) was 9.205% for fiscal years 2016-17 and 2017-18, 10.205% for fiscal years 2018-19 through 2022-23 and will remain at 10.205% for fiscal year 2023-24.

The following table sets forth the District's employer contributions from all applicable funds of the District to CalSTRS as well as the State's non-employer contributions to CalSTRS on behalf of the District for fiscal years 2019-20 through 2021-22, the estimated contributions for fiscal year 2022-23, and the budgeted contributions for fiscal year 2023-24.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Contributions to CalSTRS for Fiscal Years 2019-20 through 2023-24

<u>Fiscal Year</u>	<u>District Contribution</u>	<u>State On-Behalf Contribution</u>
2019-20	\$21,588,111	\$17,065,919
2020-21	20,407,816	13,041,903
2021-22	23,935,064	14,699,664
2022-23 ⁽¹⁾	30,365,764	15,307,980
2023-24 ⁽²⁾	34,566,578	15,307,980

⁽¹⁾ Fiscal Year 2022-23 Estimated Actuals.

⁽²⁾ Fiscal Year 2023-24 Budget.

Source: Rialto Unified School District.

The District's total employer contributions to CalSTRS for fiscal years 2019-20 through 2021-22 were equal to 100% of the required contributions for each year.

The actuarial valuation for the entire CalSTRS defined benefit program as of June 30, 2022 (the "2022 CalSTRS Actuarial Valuation") showed an estimated unfunded actuarial liability of \$88.6 billion, a decrease of approximately \$1.2 billion from the June 30, 2021 valuation. Such estimated unfunded actuarial liability was projected to increase in the June 30, 2021 valuation, which projected an unfunded actuarial liability of \$89.8 billion as of June 30, 2022. The actual unfunded actuarial liability as of June 30, 2022 represents a net actuarial gain of approximately \$1.3 billion. Such net actuarial gain is due primarily to member salary increases being more than assumed and market value returns (estimated at negative 2.4%) being less than assumed (7.0%). The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2022 and June 30, 2021, based on the actuarial assumptions, were approximately 74.4% and 73.0%, respectively. According to the 2022 CalSTRS Actuarial Valuation, the funded ratio increased by 1.4% during the past year. As described in the 2022 CalSTRS Actuarial Valuation, the increase in the funded ratio is primarily due to the recognition of deferred investment gains from prior fiscal years that were used to offset the reported negative 2.4% return on investments on the market value of assets for fiscal year 2021-22, which is CalSTRS' first negative return on investments since fiscal year 2008-09. Other factors contributing to such increase include the additional State contributions made in the prior fiscal years and contributions to pay down the unfunded actuarial liability under the State Teachers' Retirement Board's valuation policy. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates or the amount the District will be required to pay for pension related costs. Accordingly, there can be no assurances that the District's required contributions to CalSTRS will not increase in the future, subject to the limitations of AB 1469.

The following are certain of the actuarial assumptions set forth in the 2022 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund,

and merit salary increases. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The 2022 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See “– *Governor’s Pension Reform*” below for a discussion of the pension reform measure signed by the Governor in September 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. All qualifying classified employees of K-12 school districts in the State are members in CalPERS. All school districts contributing to CalPERS participate in the same plan and share the same contribution rate in each year. However, unlike contributions to CalSTRS, which incrementally increase at statutorily set rates, school districts’ contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability of CalPERS. Accordingly, the District cannot provide any assurances that the District’s required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

CalPERS is funded by employee contributions and investment earnings, with the balance of the funding provided by employer contributions. School districts’ contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot make any predictions as to the effect of State, national or international events on investment earnings and school district contributions. Participating employees enrolled in CalPERS prior to January 1, 2013 contribute 7.00% of their respective salaries, while participating employees enrolled after January 1, 2013 contribute the higher of fifty percent of normal costs of benefits or an actuarially determined rate of 7.00% in fiscal year 2021-22, which increased to 8.00% in fiscal year 2022-23 and will remain at 8.00% for fiscal year 2023-24. School districts are required to contribute to CalPERS at an actuarially determined rate, which was 18.062% of eligible salary expenditures for fiscal year 2018-19 and originally 20.733% and 22.68% for fiscal years 2019-20 and 2020-21, respectively. However, the employer contribution rate for fiscal year 2019-20 was reduced to 19.721% as a result of the State’s buydown of employer contribution rates in fiscal year 2019-20. Similarly, the fiscal year 2020-21 State budget allocated funding to buy down employer contribution rates in fiscal years 2020-21 and 2021-22 to an estimated 20.70% and 22.91%, respectively. The actuarially determined rate for employer contributions was 25.37% for fiscal year 2022-23 and is 26.68% for fiscal year 2023-24.

The following table sets forth the District’s total employer contributions from all applicable funds of the District to CalPERS for fiscal years 2019-20 through 2021-22, the estimated contribution for fiscal year 2022-23, and the budgeted contribution for fiscal year 2023-24.

RIALTO UNIFIED SCHOOL DISTRICT
(County of San Bernardino, California)
Contributions to CalPERS for Fiscal Years 2019-20 through 2023-24

Fiscal Year	District Contribution
2019-20	\$9,999,391
2020-21	10,389,114
2021-22	12,722,970
2022-23 ⁽¹⁾	16,734,051
2023-24 ⁽²⁾	22,872,832

⁽¹⁾ Fiscal Year 2022-23 Estimated Actuals.

⁽²⁾ Fiscal Year 2023-24 Budget.

Source: Rialto Unified School District.

The District’s total employer contributions to CalPERS for fiscal years 2019-20 through 2021-22 were equal to 100% of the required contributions for each year.

The CalPERS Schools Pool Actuarial Valuation as of June 30, 2022 (the “2022 CalPERS Schools Pool Actuarial Valuation”), which has not been released in full, was presented in summary form to the Finance and Administration Committee of the CalPERS Board of Administration (the “CalPERS Committee”) on April 17, 2023. Such summary reported an actuarial accrued liability of approximately \$117.0 billion with the market value of assets at approximately \$79.4 billion, and a funded status of approximately 67.9%. From June 30, 2021 to June 30, 2022, the funded status of the CalPERS Schools Pool decreased by approximately 10.4%, and the unfunded accrued liability increased by approximately \$13.6 billion, largely due to the difference between the expected and actual rate of return on investments.

CalPERS reported a negative 7.50% (before recognition of administrative expenses) return on investments for fiscal year 2021-22, which is CalPERS’ first negative return on investments since fiscal year 2008-09. The negative 7.50% return on investments was less than the assumed annual rate of return on investments of 6.80%. Such negative return generated an actuarial investment loss of approximately \$12.40 billion, which will be amortized over 20 years with a five-year phase in, increasing the component of the expected employer contribution rate related to the unfunded liability contribution in fiscal year 2023-24 by 1.69% of payroll. Due to the five-year phase in, the component of the employer contribution rate related to the unfunded liability contribution will increase each year until it reaches an estimated 7.60% of payroll in fiscal year 2027-28. CalPERS, however, does not currently project that the total expected employer contribution rate will increase by 7.60% over the next five years, because the employer contribution rate consists of other components, which are affected by investment and non-investment factors, that are currently expected to offset, to some extent, the impact of the five-year phase in. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases reflected in the 2022 CalPERS Schools Pool Actuarial Valuation. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates. Accordingly, there can be no assurances that the District’s required contributions to CalPERS will not significantly increase in the future.

The 2022 CalPERS Schools Pool Actuarial Valuation as summarized assumes, among other things, 2.30% inflation and payroll growth of 2.80% compounded annually. The 2022 CalPERS Schools Pool

Actuarial Valuation as summarized reflects a discount rate of 6.80% compounded annually (net of administrative expenses) as of June 30, 2022. The CalPERS Board of Administration adopted new demographic assumptions on November 17, 2021, including a reduction in the discount rate from 7.00% as of June 30, 2020 to 6.80% as of June 30, 2021, a reduction in the inflation assumption from 2.50% as of June 30, 2020 to 2.30% as of June 30, 2021, and an increase in payroll growth from 2.75% as of June 30, 2020 to 2.80% as of June 30, 2021. Such assumption changes result in increases in both the normal cost and unfunded liabilities contributions to be paid in the future. The actuarial funding method used in the 2022 CalPERS Schools Pool Actuarial Valuation is the “Entry Age Normal Cost Method.”

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note 13 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022.”

Governor’s Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees’ Pension Reform Act of 2012 (“PEPRA”) which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$160,200 for 2023, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires State employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law.

Insurance, Risk Pooling and Joint Powers Agreements

The District participates in two joint ventures under joint powers agreements (“JPAs”): the Southern California ReLIEF (“SCR”) and Protection Insurance Program for Schools (“PIPS”) public entity risk pools. The District pays an annual premium to the applicable entity for its workers’ compensation coverage and property liability coverage. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes. The JPAs have budgeting and financial reporting requirements independent of member units, such as the District, and their financial statements are not presented in the District’s financial statements; however, fund transactions between the JPAs and the District are included in the District’s financial statements.

Workers’ Compensation Coverage. For fiscal year 2021-22, the District participated in PIPS. The intent of PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in PIPS. The workers’ compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts. Each participant pays its workers’ compensation premium based on its individual rate. During the fiscal year 2021-22, the District paid \$5,525,478 to PIPS for workers’ compensation insurance.

Property and Liability Coverage. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2021-22, the District contracted with SCR for property and liability insurance coverage, including cyber liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. During fiscal year 2021-22, the District paid \$2,644,598 to SCR for property and liability insurance coverage.

Employee Medical Benefits. The District has contracted with various commercial insurance carriers to provide employee health benefits, including health, dental, vision, and other miscellaneous insurance. The District pays a monthly premium based on the number of employees enrolled using pre-negotiated premium for each of the commercial insurance carriers.

See Notes 12 and 15 to the District’s audited financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2022” for more information.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, voters of the State approved Proposition 13 (“Proposition 13”), which added Article XIII A to the California Constitution (“Article XIII A”). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the

California Court of Appeal upheld the recapture practice in 2004, and the California Supreme Court declined to review the ruling, leaving the recapture law in place.

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

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

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

Article XIII B of the California Constitution

An initiative to amend the California Constitution entitled “Limitation of Government Appropriations” was approved on September 6, 1979, thereby adding Article XIII B to the California Constitution (“Article XIII B”). Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State’s allowable limit.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, 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 XIII C and XIII D (“Article XIII C” and “Article XIII D,” respectively), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C 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 XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D 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.

Statutory Limitations

On November 4, 1986, voters of the State approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the California Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 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"). 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 districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent

the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

On June 5, 1990, voters of the State approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the California Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the appropriations limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*

On February 1, 2012, pursuant to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency were transferred to the control of its successor agency and, unless otherwise

required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

It is possible that there will be additional legislation proposed and/or enacted to clarify various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a “tax claw back” provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This “tax claw back” provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State’s income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see “– Proposition 98 and Proposition 111” above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the California Tax Extension to Fund Education and Healthcare Initiative (“Proposition 55”), approved by voters of the State on November 8, 2016, extends by 12 years the temporary personal income tax increases on incomes over \$250,000 that was first enacted by Proposition 30; Proposition 55 did not extend the sales and use tax increases imposed by Proposition 30. Revenues from the income tax increase under Proposition 55 will be allocated to school districts and community colleges in the State.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see “DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process.”

Proposition 2

General. Proposition 2, which included certain constitutional amendments to the State Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the

amount of reserves that may be maintained by a school district, was approved by voters of the State in the November 2014 election.

State Rainy Day Fund. The Proposition 2 constitutional amendments related to the State Rainy Day Fund (i) require deposits into the State Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the State Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multi-year budget forecast; and (vi) create a Proposition 98 reserve (the "Proposition 98 Rainy Day Fund") to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Proposition 98 Rainy Day Fund unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Proposition 98 Rainy Day Fund, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the California Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the California Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the Proposition 98 Rainy Day Fund is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The District, which has an A.D.A. of less than 30,000 (but greater than 1,001), is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. For more information on the District's reserves, current projections with respect to such reserves, and related policies, see "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *School District Reserves.*"

The Series 2023 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Series 2023 Bonds as and when due.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, as well as Propositions 2, 30, 55, 62, 98, 111 and 218, 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 revenue.

APPENDIX B

**FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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Financial Statements
June 30, 2022

Rialto Unified School District

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Independent Auditor's Report

To the Governing Board
Rialto Unified School District
Rialto, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rialto Unified School District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Rialto Unified School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Notes 1 and 16 to the financial statements, the Rialto Unified School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rialto Unified School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rialto Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rialto Unified School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rialto Unified School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2023 on our consideration of Rialto Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rialto Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rialto Unified School District's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California
February 17, 2023

This section of Rialto Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022, with comparative information for the year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

The Primary unit of the government is the Rialto Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

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

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

Business-Type Activities – An enterprise fund operates as a business-type activity. Currently, the District has one enterprise fund and the fund is used to operate the District's compressed natural gas station (CNG) station.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$167,639,814 for the fiscal year ended June 30, 2022. Of this amount, \$(209,400,820) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2022	2021 as restated
Assets		
Current and other assets	\$ 326,509,085	\$ 306,888,347
Capital assets	334,639,076	348,449,072
Total assets	661,148,161	655,337,419
Deferred outflows of resources	69,835,664	84,818,142
Liabilities		
Current liabilities	70,485,828	69,561,859
Long-term liabilities	360,699,092	524,688,033
Total liabilities	431,184,920	594,249,892
Deferred inflows of resources	132,159,091	14,088,959
Net Position		
Net investment in capital assets	255,824,388	262,392,348
Restricted	121,187,090	99,206,323
Unrestricted (deficit)	(209,371,664)	(229,781,961)
Total net position	\$ 167,639,814	\$ 131,816,710

The \$(209,400,820) in unrestricted net deficit of governmental activities represents the accumulated results of all past years' operations. Unrestricted net deficit – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 8.9 percent (\$(209,400,820) compared to \$(229,781,961)).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 15. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2022	2021*
Revenues		
Program revenues		
Charges for services and sales	\$ 1,439,413	\$ 2,698,524
Operating grants and contributions	116,552,704	142,195,979
Capital grants and contributions	(13,002)	1,526,301
General revenues		
Federal and State aid not restricted	274,262,437	253,203,800
Property taxes	50,257,786	47,506,541
Other general revenues	11,816,509	25,954,889
Total revenues	<u>454,315,847</u>	<u>473,086,034</u>
Expenses		
Instruction-related	265,611,542	276,780,572
Pupil services	54,226,986	48,418,069
Administration	21,575,671	23,040,333
Plant services	36,776,082	43,174,864
All other services	40,302,462	36,040,839
Total expenses	<u>418,492,743</u>	<u>427,454,677</u>
Change in net position	<u>\$ 35,823,104</u>	<u>\$ 45,631,357</u>

*The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB Statement No. 87 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$418,492,743. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$50,257,786 because the cost was paid by those who benefited from the programs (\$1,439,413) or by other governments and organizations who subsidized certain programs with grants and contributions (\$116,539,702). We paid for the remaining "public benefit" portion of our governmental activities with \$274,262,437 in State funds, and with \$11,816,509 in other revenues, like interest and general entitlements

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2022	2021*	2022	2021*
Instruction-related	\$ 265,611,542	\$ 276,780,572	\$ (190,931,277)	\$ (188,877,994)
Pupil services	54,226,986	48,418,069	(19,233,986)	(10,384,266)
Administration	21,575,671	23,040,333	(17,307,652)	(18,413,642)
Plant services	36,776,082	43,174,864	(34,408,517)	(31,287,971)
All other services	40,302,462	36,040,839	(38,632,196)	(32,070,000)
Total	<u>\$ 418,492,743</u>	<u>\$ 427,454,677</u>	<u>\$ (300,513,628)</u>	<u>\$ (281,033,873)</u>

*The total and net cost of services for fiscal year 2021 were not restated to show the effects of GASB Statement No. 87 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$256,896,875, which is an increase of \$18,584,945 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			June 30, 2022
	July 01, 2021	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General Fund	\$ 113,938,973	\$ 414,571,308	\$ 410,157,867	\$ 118,352,414
Student Activity Fund	1,132,511	1,526,482	1,294,782	1,364,211
Adult Education Fund	798,522	2,047,352	1,892,300	953,574
Child Development Fund	1,610,148	4,990,173	5,079,474	1,520,847
Cafeteria Fund	53,027,694	24,113,187	16,635,569	60,505,312
Building Fund	30,962,376	(455,184)	687,102	29,820,090
Capital Facilities Fund	8,967,255	1,293,518	272,779	9,987,994
County School Facilities Fund	1,480,597	(13,002)	742,025	725,570
Special Reserve Fund for				
Capital Outlay Projects	14,214,801	8,975,669	1,720,157	21,470,313
Bond Interest and Redemption Fund	12,116,854	10,373,157	10,355,660	12,134,351
Total	<u>\$ 238,249,731</u>	<u>\$ 467,422,660</u>	<u>\$ 448,837,715</u>	<u>\$ 256,834,676</u>

The primary reasons for these increases are:

1. Our General Fund is our principal operating fund. The fund balance in the General Fund increased \$113.9 million to \$118.3 million. This increase was primarily due to an unanticipated delay in the receipt of many commodities. Products orders that were anticipated to be received prior to June 30, 2022 will have to be rolled into the 2022-2023 budget.
2. The primary reason for the increase in the governmental funds arises from the increase in the Cafeteria Fund. The increase is primarily attributed to the U.S. Department of Agriculture (USDA) child nutrition response memo #85 which allowed the school district to serve meals to students at no charge under the Seamless Summer Feeding Option (SSO) during the 2021–2022 school year, augmented by two rate increases within the 2021-2022 school year. Furthermore, the Child Nutrition service area maximized the use of federal commodities, which provide a cost savings. Like the General Fund, supply chain delays affected the receipt of many orders for equipment purchases. The equipment will be re-ordered in 2022-2023 and paid from the fund's reserves and the additional funds received from the Kitchen Infrastructure Grant.
3. Our special revenue funds had an increase from the prior year showing a net increase of approximately \$7.2 million. This change was a contribution from the General Fund to support several capital facilities projects, such as the Zupanic Virtual Academy, Milor High School Portable additions and the District Registration Center waiting area.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 22, 2022. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on pages 71 and 72).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets and Right-to-Use Leased Assets

At June 30, 2022, the District had \$334,639,076 in a broad range of capital assets and right-of-use leased assets (net of depreciation and amortization expense), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, depreciation, and amortization) of \$13,809,996, or 4.8 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2022	2021 as restated
Land and construction in progress	\$ 53,308,768	\$ 54,765,367
Buildings and improvements	266,264,016	276,624,196
Furniture and equipment	14,193,962	15,924,617
Right-to-use leased assets	872,330	1,134,892
Total	<u>\$ 334,639,076</u>	<u>\$ 348,449,072</u>

This year's additions of \$7,685,386 included the completion of the Milor High School Cafeteria project, Full Day Kinder classrooms, Myers Elementary Innovation Lab, and the Eisenhower High School L-wing HVAC project. Proceeds from the issuance of general obligations bonds will be used for modernization, renovation, and construction of various school facilities in accordance with voter approved measures.

Several capital projects are planned for the 2022-2023 year. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Liabilities

At the end of this year, the District had \$360,699,092 in long-term liabilities outstanding versus \$524,688,033 last year, a decrease of 31.3%. We present more detailed information about our long-term liabilities in Notes 9, 10, and 13 to the financial statements. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2022	2021 as restated
Long-Term Liabilities		
General obligation bonds	\$ 133,588,798	\$ 136,413,736
Unamortized debt premiums	2,864,906	3,088,281
Unamortized debt discounts	(264,153)	(335,386)
Leases	860,596	1,134,892
Financed purchase agreement - energy upgrades	8,041,091	8,733,570
Financed purchase agreement - energy efficiency	471,853	603,533
City of Rialto redevelopment agency loan	4,254,888	4,290,535
Compensated absences	842,056	729,891
Supplemental early retirement plan	7,253,540	11,127,148
Net OPEB liability	28,123,647	28,158,622
Aggregate net pension liability	174,661,870	330,743,211
	<u>\$ 360,699,092</u>	<u>\$ 524,688,033</u>
Total	<u>\$ 360,699,092</u>	<u>\$ 524,688,033</u>

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2021-2022 ARE NOTED BELOW:

In support of the District's literacy initiative, the District continued to provide a Reading Specialist in each classroom for grades 1 through 3. The District graduated 127 teachers from the District sponsored University of Southern California Literacy Added Authorization program.

The District continued supports to address socio-emotional needs of students by providing Psychologist, Emotional Health Therapist, Therapeutic Behavioral Strategist, Applied Behavior Analysis Specialist, Student Success Strategist, and Counselors.

The District completed the construction of the Milor High School kitchen, several Full Day Kinder classrooms, and the Myer Innovation Lab.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2022-2023 year, the governing board and management used the following criteria:

The Local Control Funding Formula (LCFF) gives local school districts the discretion to implement the programs and strategies that best support their educational program and needs of their community. The LCFF provides concentration and supplemental grants to further support economically disadvantaged, English learner and foster youth students. To ensure the funds are utilized effectively, the LCFF required the school district to prepare a Local Control Accountability Plan. This plan is a strategic planning and evaluation tool developed amongst the parent, community, and District stakeholders. It intends to increase public transparency and accountability for improving student achievement by utilizing dollars effectively.

The Rialto Unified School District budget was adopted on June 22, 2022 for the 2022-2023 school year. The district developed a cautious budget as the state is still in transition from the impacts of the COVID-19 pandemic. Revenues were forecast with a 6.56% adjustment for cost of living at the time of budget adoption. At the 45 Day Budget Revision, the Local Control Funding Formula revenue projections were updated to include an augmentation of 6.28%, for a total cost of living adjustment of 12.84%. Expenditures were modified to reflect the necessary costs of acceleration of learning, as well as additional costs to prevent to propagation the COVID-19. A conservative approach was taken to sustain a balanced budget and protect the current and future fiscal solvency of the school district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Lead Business Services Agent, at Rialto Unified School District, 182 E. Walnut Ave., Rialto, California, 92378.

Rialto Unified School District
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Deposits and investments	\$ 291,331,263	\$ 382,065	\$ 291,713,328
Receivables	33,582,911	10,484	33,593,395
Prepaid expense	787,140	-	787,140
Stores inventories	807,771	-	807,771
Capital assets not depreciated	53,308,768	-	53,308,768
Capital assets, net of accumulated depreciation	280,457,978	-	280,457,978
Right-to-use leased assets, net of accumulated amortization	872,330	-	872,330
Total assets	661,148,161	392,549	661,540,710
Deferred Outflows of Resources			
Deferred charge on refunding	1,090,831	-	1,090,831
Deferred outflows of resources related to OPEB	9,990,499	-	9,990,499
Deferred outflows of resources related to pensions	58,754,334	-	58,754,334
Total deferred outflows of resources	69,835,664	-	69,835,664
Liabilities			
Accounts payable	61,700,723	1,168	61,701,891
Interest payable	811,419	-	811,419
Unearned revenue	7,973,686	-	7,973,686
Long-term liabilities			
Long-term liabilities other than OPEB and pensions due within one year	14,186,576	-	14,186,576
Long-term liabilities other than OPEB and pensions due in more than one year	143,726,999	-	143,726,999
Net other postemployment benefits liability (OPEB)	28,123,647	-	28,123,647
Aggregate net pension liabilities	174,661,870	-	174,661,870
Total liabilities	431,184,920	1,168	431,186,088
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	2,799,223	-	2,799,223
Deferred inflows of resources related to pensions	129,359,868	-	129,359,868
Total deferred inflows of resources	132,159,091	-	132,159,091
Net Position			
Net investment in capital assets	255,824,388	-	255,824,388
Restricted for			
Debt service	11,322,932	-	11,322,932
Capital projects	10,704,114	-	10,704,114
Educational programs	35,895,995	-	35,895,995
Child nutrition	59,943,480	-	59,943,480
Other restrictions	3,320,569	-	3,320,569
Unrestricted	(209,371,664)	391,381	(208,980,283)
Total net position	\$ 167,639,814	\$ 391,381	\$ 168,031,195

Rialto Unified School District

Statement of Activities

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Instruction	\$ 222,699,053	\$ 20,941	\$ 65,465,720	\$ (13,002)	\$ (157,225,394)	\$ -	\$ (157,225,394)
Instruction-related activities							
Supervision of instruction	12,978,466	1,426	5,583,259	-	(7,393,781)	-	(7,393,781)
Instructional library, media, and technology	4,564,508	438	165,657	-	(4,398,413)	-	(4,398,413)
School site administration	25,369,515	-	3,455,826	-	(21,913,689)	-	(21,913,689)
Pupil services							
Home-to-school transportation	7,977,678	-	2,293,401	-	(5,684,277)	-	(5,684,277)
Food services	15,485,850	10,405	25,913,125	-	10,437,680	-	10,437,680
All other pupil services	30,763,458	30,040	6,746,029	-	(23,987,389)	-	(23,987,389)
Administration							
Data processing	6,883,988	-	-	-	(6,883,988)	-	(6,883,988)
All other administration	14,691,683	1,533	4,266,486	-	(10,423,664)	-	(10,423,664)
Plant services	36,776,082	226,954	2,140,611	-	(34,408,517)	-	(34,408,517)
Ancillary services	1,294,782	-	-	-	(1,294,782)	-	(1,294,782)
Interest on long-term liabilities	7,892,105	-	-	-	(7,892,105)	-	(7,892,105)
Other outgo	10,080,542	1,147,676	522,590	-	(8,410,276)	-	(8,410,276)
Depreciation and amortization (unallocated)	21,035,033	-	-	-	(21,035,033)	-	(21,035,033)
Total governmental activities	418,492,743	1,439,413	116,552,704	(13,002)	(300,513,628)	-	(300,513,628)
Business-Type Activities							
Enterprise services	5,880	-	-	-	-	(5,880)	(5,880)
Total primary government	\$ 418,498,623	\$ 1,439,413	\$ 116,552,704	\$ (13,002)	(300,513,628)	(5,880)	(300,519,508)

Rialto Unified School District

Statement of Activities

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
General Revenues and Subventions							
Property taxes, levied for general purposes					\$ 35,417,085	\$ -	\$ 35,417,085
Property taxes, levied for debt service					10,111,425	-	10,111,425
Taxes levied for other specific purposes					4,729,276	-	4,729,276
Federal and State aid not restricted to specific purposes					274,262,437	-	274,262,437
Interest, investment earnings, and change in fair market valuations					(4,463,556)	(5,622)	(4,469,178)
Interagency revenues					17,007	-	17,007
Special and extraordinary					401,186	-	401,186
Miscellaneous					15,861,872	55,039	15,916,911
Subtotal, general revenues and subventions					336,336,732	49,417	336,386,149
Change in Net Position					35,823,104	43,537	35,866,641
Net Position - Beginning, as restated					131,816,710	347,844	132,164,554
Net Position - Ending					\$ 167,639,814	\$ 391,381	\$ 168,031,195

Rialto Unified School District
Balance Sheet – Governmental Funds
June 30, 2022

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 161,202,817	\$ 53,317,179	\$ 29,788,571	\$ 47,022,696	\$ 291,331,263
Receivables	23,667,434	8,423,370	65,734	1,426,373	33,582,911
Due from other funds	3,622,103	17,733	-	2,600,032	6,239,868
Prepaid expenditures	777,690	-	-	9,450	787,140
Stores inventories	216,783	561,832	-	29,156	807,771
Total assets	\$ 189,486,827	\$ 62,320,114	\$ 29,854,305	\$ 51,087,707	\$ 332,748,953
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 60,542,962	\$ 261,091	\$ 34,215	\$ 862,455	\$ 61,700,723
Due to other funds	2,617,765	1,553,711	-	2,068,392	6,239,868
Unearned revenue	7,973,686	-	-	-	7,973,686
Total liabilities	71,134,413	1,814,802	34,215	2,930,847	75,914,277
Fund Balances					
Nonspendable	1,099,473	561,832	-	38,606	1,699,911
Restricted	35,895,995	59,943,480	29,820,090	26,159,034	151,818,599
Committed	9,133,450	-	-	-	9,133,450
Assigned	53,474,561	-	-	21,959,220	75,433,781
Unassigned	18,748,935	-	-	-	18,748,935
Total fund balances	118,352,414	60,505,312	29,820,090	48,156,860	256,834,676
Total liabilities and fund balances	\$ 189,486,827	\$ 62,320,114	\$ 29,854,305	\$ 51,087,707	\$ 332,748,953

Rialto Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds	\$ 256,834,676
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Amounts Reported for Governmental Activities in the
Statement of Net Position are Different Because

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in
governmental funds.

The cost of capital assets is	\$ 607,180,729
Accumulated depreciation is	<u>(273,413,983)</u>

Net capital assets	333,766,746
--------------------	-------------

Right-to-use leased assets used in governmental activities are
not financial resources and, therefore, are not reported as assets in
governmental funds.

The cost of right-to-use leased assets is	1,134,892
Accumulated amortization is	<u>(262,562)</u>

Net right-to-use leased assets	872,330
--------------------------------	---------

In governmental funds, unmatured interest on long-term
liabilities is recognized in the period when it is due. On the
government-wide financial statements, unmatured interest on
long-term liabilities is recognized when it is incurred.

(811,419)

Deferred outflows of resources represent a consumption of net
position in a future period and is not reported in the governmental
funds. Deferred outflows of resources amounted to and related to

Debt refundings (deferred charge on refunding)	1,090,831
Other postemployment benefits (OPEB)	9,990,499
Aggregate net pension liability	<u>58,754,334</u>

Total deferred outflows of resources	69,835,664
--------------------------------------	------------

Deferred inflows of resources represent an acquisition of net position
that applies to a future period and is not reported in the governmental
funds. Deferred inflows of resources amount to and related to

Other postemployment benefits (OPEB)	(2,799,223)
Aggregate net pension liability	<u>(129,359,868)</u>

Total deferred inflows of resources	(132,159,091)
-------------------------------------	---------------

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

(174,661,870)

Rialto Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

The District's OPEB liability is not due and payable in the current period,
and is not reported as a liability in the funds.

\$ (28,123,647)

Long-term liabilities are not due and payable in the current period
and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of

General obligation bonds	\$ (93,496,428)
Unamortized premium on issuance	(2,864,906)
Unamortized discount on issuance	264,153
Leases	(860,596)
Financed purchase agreement - energy upgrades	(8,041,091)
Financed purchase agreement - energy efficiency	(471,853)
City of Rialto redevelopment agency loan	(4,254,888)
Compensated absences (vacations)	(842,056)
Supplemental early retirement plan	(7,253,540)

In addition, capital appreciation general obligation bonds were
issued. The accretion of interest to date on the general
obligation bonds is

(40,092,370)

Total long-term liabilities

(157,913,575)

Total net position - governmental activities

\$ 167,639,814

Rialto Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	\$ 304,448,344	\$ -	\$ -	\$ -	\$ 304,448,344
Federal sources	33,896,285	23,322,867	-	868,450	58,087,602
Other State sources	54,451,781	1,332,941	-	5,295,290	61,080,012
Other local sources	21,774,898	(542,621)	(455,184)	13,007,237	33,784,330
Total revenues	414,571,308	24,113,187	(455,184)	19,170,977	457,400,288
Expenditures					
Current					
Instruction	224,265,825	-	-	4,642,018	228,907,843
Instruction-related activities					
Supervision of instruction	14,150,173	-	-	135,299	14,285,472
Instructional library, media, and technology	4,845,294	-	-	-	4,845,294
School site administration	26,720,843	-	-	1,458,895	28,179,738
Pupil services					
Home-to-school transportation	8,262,728	-	-	-	8,262,728
Food services	218,347	16,130,188	-	-	16,348,535
All other pupil services	33,705,646	-	-	249,234	33,954,880
Administration					
Data processing	7,104,091	-	-	-	7,104,091
All other administration	14,813,612	271,378	-	264,100	15,349,090
Plant services	35,612,598	234,003	-	199,695	36,046,296
Ancillary services	-	-	-	1,294,782	1,294,782
Other outgo	58,170	-	-	-	58,170
Facility acquisition and construction	28,780,322	-	687,102	2,757,494	32,224,918
Debt service					
Principal	1,134,102	-	-	8,489,142	9,623,244
Interest and other	463,744	-	-	1,866,518	2,330,262
Total expenditures	400,135,495	16,635,569	687,102	21,357,177	438,815,343
Excess (Deficiency) of Revenues Over Expenditures	14,435,813	7,477,618	(1,142,286)	(2,186,200)	18,584,945
Other Financing Sources (Uses)					
Transfers in	-	-	-	10,022,372	10,022,372
Transfers out	(10,022,372)	-	-	-	(10,022,372)
Net Financing Sources (Uses)	(10,022,372)	-	-	10,022,372	-
Net Change in Fund Balances	4,413,441	7,477,618	(1,142,286)	7,836,172	18,584,945
Fund Balance - Beginning	113,938,973	53,027,694	30,962,376	40,320,688	238,249,731
Fund Balance - Ending	\$ 118,352,414	\$ 60,505,312	\$ 29,820,090	\$ 48,156,860	\$ 256,834,676

Rialto Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ 18,584,945
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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities. This is the amount by which depreciation and amortization expenses exceed capital outlays in the period.

Depreciation and amortization expenses	\$ (21,297,595)	
Capital outlays	<u>7,685,386</u>	
Net expense adjustment		(13,612,209)

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.

(197,787)

In the Statement of Activities, certain operating expenses, such as special termination benefits (SERP) 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 amount is the difference between SERP earned and used.

3,873,608

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) 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 amount is the difference between vacation earned and used.

(112,165)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liability during the year.

20,893,732

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.

2,331,579

Rialto Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2022

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	\$ 223,375
Discount amortization	(71,233)
Deferred charge on refunding amortization	(161,605)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	8,489,142
Financed purchase agreement - energy upgrades	692,479
Financed purchase agreement - energy efficiency	131,680
City of Rialto redevelopment agency loan	35,647
Leases	274,296

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(5,552,380)

Change in net position of governmental activities

\$ 35,823,104

Rialto Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2022

	<u>Enterprise Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 382,065
Receivables	<u>10,484</u>
Total current assets	<u>392,549</u>
Liabilities	
Current liabilities	
Accounts payable	<u>1,168</u>
Net Position	
Unrestricted	<u><u>\$ 391,381</u></u>

Rialto Unified School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2022

	Enterprise Fund
	<u> </u>
Operating Revenues	
Charges for services	\$ 55,039
	<u> </u>
Operating Expenses	
Other operating cost	5,880
	<u> </u>
Operating Income	49,159
	<u> </u>
Nonoperating Revenues	
Fair market value adjustments	(8,205)
Interest income	2,583
	<u> </u>
Total nonoperating expenses	(5,622)
	<u> </u>
Change in Net Position	43,537
	<u> </u>
Total Net Position - Beginning	347,844
	<u> </u>
Total Net Position - Ending	<u><u>\$ 391,381</u></u>

Rialto Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2022

	Enterprise Fund
Operating Activities	
Cash receipts from customers	\$ 74,162
Cash payments to other suppliers of goods or services	(7,198)
	<u>66,964</u>
Net Cash From Operating Activities	<u>66,964</u>
Investing Activities	
Net gain on investments	(5,867)
	<u>(5,867)</u>
Net Change in Cash and Cash Equivalents	61,097
Cash and Cash Equivalents, Beginning	<u>320,968</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 382,065</u></u>
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating income	\$ 49,159
Changes in assets and liabilities	
Receivables	19,123
Accounts payable	(1,318)
	<u>(1,318)</u>
Net Cash From Operating Activities	<u><u>\$ 66,964</u></u>

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Rialto Unified School District (the District) was unified on July 1, 1964 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates nineteen elementary schools, five middle schools, three high schools, a continuation high school, an alternative high school, an adult education school, a preschool program, and an infant program.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units 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 unit described below has 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*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units* and thus are included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it was part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Rialto Unified School District School Facilities Corporation's financial activity is presented in the financial statements within the General Fund. Financed purchase agreement – energy upgrades liability secured by the Corporation is included as long-term liabilities in the government-wide financial statements.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$9,274,561.

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

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

Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

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

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

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

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

- **Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the compressed natural gas stations operated by the District.

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except amortization of leased assets. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. In the governmental fund financial statements, each major fund is presented in a separate column and non-major governmental funds are aggregated and presented in a single column. In the proprietary fund financial statements, the District's non-major enterprise fund is presented in a single column.

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

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

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

Capital Assets and Depreciation

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Leases

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

Fund Balances - Governmental Funds

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$121,187,090 of restricted net position which is restricted by enabling legislation.

Operating Revenues and Expenses

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

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 16 and the additional disclosures required by this standard are included in Notes 4 and 9.

Implementation of GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan

- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 93

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap

- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 291,331,263
Proprietary funds	382,065
Total deposits and investments	<u><u>\$ 291,713,328</u></u>

Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	\$ 1,322,032
Cash with fiscal agent	160
Cash in revolving	105,000
Investments	290,286,136
Total deposits and investments	<u><u>\$ 291,713,328</u></u>

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Treasury Investment Pool. The San Bernardino County Treasury Investment Pool purchase a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

The District maintains an investment of \$290,286,136 with the San Bernardino County Treasury Investment Pool which has a weighted average maturity of 495 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the San Bernardino County Treasury Investment Pool is rated AAA by Fitch Ratings.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2022, the District's bank balance of \$1,171,678 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2022, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Federal Government						
Categorical aid	\$ 9,803,403	\$ -	\$ -	\$ 567,778	\$ 10,371,181	\$ -
State Government						
Categorical aid	3,710,493	8,228,975	-	184,243	12,123,711	-
Lottery	799,950	-	-	-	799,950	-
Special education	2,101,087	-	-	-	2,101,087	-
Local Government						
Interest	301,800	112,588	65,734	79,296	559,418	818
Other local sources	6,950,701	81,807	-	595,056	7,627,564	9,666
Total	<u>\$ 23,667,434</u>	<u>\$ 8,423,370</u>	<u>\$ 65,734</u>	<u>\$ 1,426,373</u>	<u>\$ 33,582,911</u>	<u>\$ 10,484</u>

Note 4 - Capital Assets and Right-to-Use Leased Assets

Capital asset and right-to-use leased assets activities for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 39,752,485	\$ -	\$ -	\$ 39,752,485
Construction in progress	15,012,882	7,773,339	(9,229,938)	13,556,283
Total capital assets not being depreciated	54,765,367	7,773,339	(9,229,938)	53,308,768
Capital assets being depreciated				
Land improvements	46,778,645	230,122	-	47,008,767
Buildings and improvements	465,854,782	7,380,982	(241,900)	472,993,864
Furniture and equipment	42,275,865	1,530,881	(9,937,416)	33,869,330
Total capital assets being depreciated	554,909,292	9,141,985	(10,179,316)	553,871,961
Total capital assets	609,674,659	16,915,324	(19,409,254)	607,180,729
Accumulated depreciation				
Land improvements	(20,867,464)	(2,183,785)	-	(23,051,249)
Buildings and improvements	(215,141,767)	(15,787,499)	241,900	(230,687,366)
Furniture and equipment	(26,351,248)	(3,063,749)	9,739,629	(19,675,368)
Total accumulated depreciation	(262,360,479)	(21,035,033)	9,981,529	(273,413,983)
Net depreciable capital assets	292,548,813	(11,893,048)	(197,787)	280,457,978
Right-to-use leased assets being amortized				
Furniture and equipment	1,134,892	-	-	1,134,892
Accumulated amortization				
Furniture and equipment	-	(262,562)	-	(262,562)
Net right-to-use leased assets	1,134,892	(262,562)	-	872,330
Governmental activities capital assets and right-to-use leased assets, net	\$ 348,449,072	\$ (4,382,271)	\$ (9,427,725)	\$ 334,639,076

Depreciation and amortization expenses were charged to the governmental functions as follows:

Governmental Activities	
Depreciation expense	
Unallocated	\$ 21,035,033
Amortization expense	
Instruction	\$ 122,060
All other administration	94,120
Plant services	48,382
Total amortization expenses	\$ 264,562

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2022, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Cafeteria Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 1,553,711	\$ 2,068,392	\$ 3,622,103
Cafeteria Fund	17,733	-	-	17,733
Non-Major Governmental Funds	2,600,032	-	-	2,600,032
Total	\$ 2,617,765	\$ 1,553,711	\$ 2,068,392	\$ 6,239,868

The balance of \$17,733 due to the Cafeteria Fund from the General Fund resulted from nutrition service charges.

The balance of \$2,600,032 due to the Special Reserve Non-Major Governmental Fund for Capital Outlay from the General Fund resulted from support for school kitchen projects and athletic deferred maintenance projects.

The balance of \$1,553,711 due to the General Fund from the Cafeteria Fund resulted from reimbursement of operating expenditures.

A balance of \$154,925 due to the General Fund from the Adult Education Non-Major Government Fund resulted from reimbursement of operating expenditures.

A balance of \$1,913,467 due to the General Fund from the Child Development Non-Major Government Fund resulted from reimbursement of operating expenditures and temporary cash borrowing.

Operating Transfers

Interfund transfers for the year ended June 30, 2022, consisted of the following:

Transfer To	General Fund	Total
Non-Major Governmental Funds	\$ 10,793,601	\$ 10,793,601
The General Fund transferred to the Child Development Non-Major Governmental Fund for operating contributions to support the District's preschool program.		\$ 771,229
The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects to set aside reserve for future capital outlay projects.		9,251,143
Total		\$ 10,022,372

Note 6 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Salaries and benefits	\$ 9,979,464	\$ 64,588	\$ -	\$ 123,387	\$ 10,167,439	\$ -
LCFF apportionment	34,162,179	-	-	-	34,162,179	-
Materials and supplies	3,204,119	165,062	-	167,682	3,536,863	-
Services	6,891,361	31,441	400	54,178	6,977,380	1,168
Capital outlay	1,194,561	-	33,815	467,186	1,695,562	-
Other	5,111,278	-	-	50,022	5,161,300	-
Total	\$ 60,542,962	\$ 261,091	\$ 34,215	\$ 862,455	\$ 61,700,723	\$ 1,168

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2022, consisted of the following:

	General Fund
Federal financial assistance	\$ 7,973,686

Note 8 - Tax Revenue Anticipation Notes (TRANS)

On March 10, 2021, the District issued \$31,630,000 of 2021 Series A-1 State Aid Intercept Notes, dated March 10, 2021, through the California School Finance Authority State Aid Intercept Notes (Fiscal Year 2020-21) School and Community College District Deferrals Program. The notes matured on December 30, 2021 and yielded 3.00 percent interest. The notes were sold to provide operating cash prior to the District's receipt of anticipated tax payments and other revenues. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent until 100 percent of principal and interest due is on account in December 2021. The District has fully met the repayment obligation as of June 30, 2022.

Note 9 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 136,413,736	\$ 5,664,204	\$ (8,489,142)	\$ 133,588,798	\$ 9,167,578
Unamortized debt premiums	3,088,281	-	(223,375)	2,864,906	-
Unamortized debt discounts	(335,386)	-	71,233	(264,153)	-
Leases	1,134,892	-	(274,296)	860,596	264,484
Financed purchase agreement - energy upgrades	8,733,570	-	(692,479)	8,041,091	711,176
Financed purchase agreement - energy efficiency	603,533	-	(131,680)	471,853	131,680
City of Rialto redevelopment agency loan	4,290,535	-	(35,647)	4,254,888	38,050
Compensated absences	729,891	112,165	-	842,056	-
Supplemental early retirement plan	11,127,148	-	(3,873,608)	7,253,540	3,873,608
Total	<u>\$ 165,786,200</u>	<u>\$ 5,776,369</u>	<u>\$ (13,648,994)</u>	<u>\$ 157,913,575</u>	<u>\$ 14,186,576</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the leases, financed purchased agreement – energy upgrades, financed purchase agreement - energy efficiency, City of Rialto redevelopment agency loan, and supplemental early retirement plan are paid by the General Fund. The compensated absences will be paid by the General Fund, the Adult Education Fund, the Child Development Fund, and the Cafeteria Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2021	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
6/1/2000	6/1/2025	4.75 - 6.25%	\$ 19,995,038	\$ 5,709,257	\$ 361,788	\$ (1,659,142)	\$ 4,411,903
3/17/2011	8/1/2041	7.35%	26,932,187	57,707,587	4,634,401	-	62,341,988
3/17/2011	8/1/2026	5.28 - 6.91%	9,695,000	8,820,000	-	(935,000)	7,885,000
5/17/2012	8/1/2028	2.00 - 5.00%	29,865,000	17,495,000	-	(2,055,000)	15,440,000
3/26/2015	8/1/2027	1.26 - 4.13%	32,015,000	17,095,000	-	(3,100,000)	13,995,000
12/5/2019	8/1/2044	2.00 - 4.00%	29,356,650	29,586,892	668,015	(740,000)	29,514,907
				<u>\$ 136,413,736</u>	<u>\$ 5,664,204</u>	<u>\$ (8,489,142)</u>	<u>\$ 133,588,798</u>

1999 General Obligation Bonds, Series A

On June 1, 2000, Rialto Unified School District issued the 1999 General Obligation Refunding Bonds, Series A in the amount of \$19,995,038. The Series A bonds were issued as current interest bonds and capital appreciation bonds with the value of the capital appreciation bonds accreting to \$18,734,962, and an aggregate principal debt service balance of \$38,730,000. The bonds have a final maturity to occur on June 1, 2025 and interest rates of 4.75 to 6.25 percent. Proceeds from the sale of bonds were used to repair and construct school facilities. At June 30, 2022, the principal outstanding, including accreted interest, was \$4,411,903.

2010 General Obligation Bonds, Series 2011A

On March 17, 2011, Rialto Unified School District issued the 2010 General Obligation Bonds, Series 2011A in the amount of \$26,932,187. The Series 2011A bonds were issued as capital and convertible capital appreciation bonds. The capital appreciation bonds were issued in the amount of \$10,043,817 with an accretion value of \$27,516,183 and an aggregate principal debt service balance of \$37,560,000. The convertible capital appreciation bonds were issued in the amount of \$16,888,370 with an accretion value of \$34,336,630 and an aggregate principal debt service balance of \$51,225,000 at the conversion date of August 1, 2041. At June 30, 2022, the principal outstanding, including accreted interest, was \$62,341,988.

2010 General Obligation Bonds, Series 2011B

On March 17, 2011, Rialto Unified School District issued the 2010 General Obligation Bonds, Series 2011B in the amount of \$9,695,000. The Series 2011B bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2026 and interest rates of 5.28 to 6.91 percent. Proceeds from the sale of bonds were used to repair and construct school facilities. At June 30, 2022, the principal outstanding was \$7,885,000.

General Obligation Refunding Bonds, Series 2012

On May 17, 2012, Rialto Unified School District issued the General Obligation Refunding Bonds, Series 2012 in the amount of \$29,865,000. The bonds have a final maturity to occur on August 1, 2028 and interest rates of 2.00 to 5.00 percent. Proceeds from the sale of bonds were used to advance refund a portion of the District's outstanding 1999 General Obligation Bonds, Series B and C. At June 30, 2022, the principal outstanding was \$15,440,000.

2010 General Obligation Bonds, Series 2015

On March 26, 2015, Rialto Unified School District issued the 2010 General Obligation Bonds, Series 2015 in the amount of \$32,015,000. The Series 2015 bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2027 and interest rates of 1.26 to 4.13 percent. Proceeds from the sale of bonds were used to repair and construct school facilities. At June 30, 2022, the principal outstanding was \$13,995,000.

2010 General Obligation Bonds, Series 2019

On December 5, 2019, Rialto Unified School District issued the 2010 General Obligation Bonds, Series 2019 in the amount of \$29,356,650. The Series 2019 bonds were issued as current interest bonds and capital appreciation bonds with the value of the capital appreciation bonds accreting to \$22,703,350, and an aggregate principal debt service balance of \$52,060,000. The bonds have a final maturity to occur on August 1, 2044 and interest rates of 2.00 to 4.00 percent. Proceeds from the sale of bonds were used to modernize, repair, and construct school facilities. At June 30, 2022, the principal outstanding, including accreted interest, was \$29,514,907.

Debt Service Requirements to Maturity

The bonds mature through 2045 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2023	\$ 9,068,502	\$ 99,076	\$ 1,690,813	\$ 10,858,391
2024	9,267,862	191,944	1,382,015	10,841,821
2025	9,725,539	279,461	1,064,999	11,069,999
2026	9,005,000	-	734,076	9,739,076
2027	7,993,113	-	463,950	8,457,063
2028-2032	17,388,385	8,459,072	17,363,342	43,210,799
2033-2037	12,914,255	2,534,430	18,825,188	34,273,873
2038-2042	37,676,236	34,720,689	13,616,610	86,013,535
2043-2045	20,549,906	24,763,913	471,686	45,785,505
Total	<u>\$ 133,588,798</u>	<u>\$ 71,048,585</u>	<u>\$ 55,612,679</u>	<u>\$ 260,250,062</u>

Leases

The District has entered into agreements to lease various equipment. As of June 30, 2022, the District recognized a right-to-use asset of \$872,330 and a lease liability of \$860,596 related to these agreements. The District is required to make principal and interest payments through April 2026. The lease agreements have an interest rate of 3.00%.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 264,484	\$ 23,478	\$ 287,962
2024	251,189	15,897	267,086
2025	176,704	9,091	185,795
2026	168,219	3,541	171,760
Total	<u>\$ 860,596</u>	<u>\$ 52,007</u>	<u>\$ 912,603</u>

Financed Purchase Agreement – Energy Upgrade

On October 27, 2017, the Rialto Unified School District entered into a financed purchase agreement with the Rialto Unified School District School Facilities Corporation (the Corporation). The terms of the agreement stipulates that the District would lease a property owned by the District to the Corporation and the Corporation would sublease the property back to the District, including the energy efficiency renovations performed on the property. Lease payment period commences on March 30, 2018 and the final lease payment is set to occur on March 30, 2032. At June 30, 2022, the principal balance outstanding was \$8,041,091.

The lease payments are due through March 30, 2032 as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 711,176	\$ 217,109	\$ 928,285
2024	730,378	197,908	928,286
2025	750,098	178,187	928,285
2026	770,351	157,935	928,286
2027	791,150	137,135	928,285
2028-2032	4,287,938	353,490	4,641,428
Total	<u>\$ 8,041,091</u>	<u>\$ 1,241,764</u>	<u>\$ 9,282,855</u>

Financed Purchase Agreement - Energy Efficiency Financing

On January 24, 2019, the District entered into a financed purchase agreement with Southern California Edison Company to participate in SCE's "On-Bill Financing Program." The program allows SCE to provide interest free financing for the installation of various energy efficient equipment which is to be repaid over a specified period through the customer's electricity bill. The District financed \$905,871 under the financing agreement. Under the terms of the agreement, monthly payments of \$10,873 will be paid over 83 months. As of June 30, 2022, the remaining balance was \$471,853.

The future remaining payments are as follows:

Year Ending June 30,	Principal
2023	\$ 131,680
2024	131,680
2025	131,680
2026	76,813
Total	<u>\$ 471,853</u>

City of Rialto Redevelopment Agency Loan

During 2005, the District entered into an agreement with the City of Rialto Redevelopment Agency (RDA) for a loan of \$2,717,131 for the purpose of financing the cost of labor and material for the design, installation and/or construction of a football stadium at Rialto High School. \$976,242 of the proceeds was used to retire the remaining balance owed from an original \$1,000,000 loan with the RDA. During 2008, the District borrowed an additional \$3,390,000 to complete the project.

The 2005 and 2008 RDA loans were refinanced by the City of Rialto during the 2014-2015 and 2018-2019 fiscal years, respectively, resulting in a revised debt service schedules provided to the District by the City of Rialto. Effective February 1, 2012, the RDA was dissolved under the Redevelopment Dissolution Act and debt service payments are now paid directly to the City of Rialto. As of June 30, 2022, the principal balance outstanding was \$4,254,888.

Future payments on the City of Rialto Redevelopment Agency Loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 38,050	\$ 202,861	\$ 240,911
2024	38,851	200,958	239,809
2025	40,053	199,016	239,069
2026	41,254	197,013	238,267
2027	44,058	194,950	239,008
2028-2032	1,373,656	876,761	2,250,417
2033-2037	2,276,036	407,446	2,683,482
2038-2040	402,930	20,147	423,077
Total	<u>\$ 4,254,888</u>	<u>\$ 2,299,152</u>	<u>\$ 6,554,040</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to \$842,056.

Supplemental Early Retirement Plan (SERP)

During 2018-2019 fiscal year, the District adopted a supplemental early retirement plan whereby certain eligible employees were provided an annuity to supplement the retirement benefits they were entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 172 employees who retired during the 2018-2019 school year, were purchased from United of Omaha Life Insurance Company. As of June 30, 2022, the total balance of outstanding obligations for the supplemental early retirement plan was \$2,183,642.

During 2020-2021 fiscal year, the District adopted a supplemental early retirement plan whereby certain eligible employees were provided an annuity to supplement the retirement benefits they were entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 120 employees who retired during the 2020-2021 school year, were purchased from United of Omaha Life Insurance Company. As of June 30, 2022, the total balance of outstanding obligations for the supplemental early retirement plan was \$5,069,898.

Future payments for the SERP are as follows:

Year Ending June 30,	2018-2019 Plan	2020-2021 Plan	Total Future Payments
2023	\$ 2,183,642	\$ 1,689,966	\$ 3,873,608
2024	-	1,689,966	1,689,966
2025	-	1,689,966	1,689,966
Total	<u>\$ 2,183,642</u>	<u>\$ 5,069,898</u>	<u>\$ 7,253,540</u>

Note 10 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 26,753,261	\$ 9,990,499	\$ 2,799,223	\$ 3,126,394
Medicare Premium Payment (MPP) Program	1,370,386	-	-	(333,039)
Total	<u>\$ 28,123,647</u>	<u>\$ 9,990,499</u>	<u>\$ 2,799,223</u>	<u>\$ 2,793,355</u>

The details of each plan are as follows:

District Plan

Plan Administration

The California Public Employees' Retirement System (CalPERS) administers the Rialto Unified School District's Postemployment Benefits Plan (the Plan) by maintaining the assets provided and payment at the direction of the District. The Plan is an agent multi-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. Financial information for CalPERS can be found on the CalPERS website at: <https://calpers.ca.gov/pages/forms-Publications>.

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	242
Active employees	<u>1,935</u>
Total	<u><u>2,177</u></u>

Benefits Provided

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

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Rialto Education Association (REA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contributions is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreement with the District, REA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2021, the District contributed \$4,713,862 to the Plan to fund the OPEB Trust. Of this amount, \$3,397,978 was use to pay for benefits provided to retiree.

Net OPEB Liability of the District

The District's net OPEB liability of \$26,753,261 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The components of the net OPEB liability of the District at June 30, 2022, were as follows:

Total OPEB liability	\$ 43,517,764
Plan fiduciary net position	<u>(16,764,503)</u>
Net OPEB liability	<u>\$ 26,753,261</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>38.52%</u>

Actuarial Assumptions

Net total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.00% average, including inflation
Investment rate of return	5.50% net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.00% for 2021

The discount rate was based on the Fidelity 20 Years General Obligation Municipal Index.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Mortality Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

Changes in the Net OPEB Liability

		Increase (Decrease)	
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2021	\$ 39,958,181	\$ 13,502,984.00	\$ 26,455,197
Service cost	1,685,763	-	1,685,763
Interest	2,198,223	-	2,198,223
Employer contributions	-	4,713,862	(4,713,862)
Net investment income	-	1,950,804	(1,950,804)
Difference between expected and actual experience	1,201,931	-	1,201,931
Changes of assumptions	1,871,644	-	1,871,644
Benefit payments	(3,397,978)	(3,397,978)	-
Administrative expense	-	(5,169)	5,169
Net change in total OPEB liability	3,559,583	3,261,519	298,064
Balance, June 30, 2022	<u>\$ 43,517,764</u>	<u>\$ 16,764,503</u>	<u>\$ 26,753,261</u>

Changes of assumptions and other inputs reflect a change in the healthcare cost trend rate from 5.80 percent in 2020 to 6.00 percent in 2021.

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

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

Discount Rate	Net OPEB Liability
1% decrease (4.50%)	\$ 30,017,182
Current discount rate (5.50%)	26,753,261
1% increase (6.50%)	23,737,848

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (5.00%)	\$ 22,917,620
Current healthcare cost trend rate (6.00%)	26,753,261
1% increase (7.00%)	31,161,399

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense of \$3,126,394. At June 30, 2022, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 5,946,010	\$ -
Differences between expected and actual experience	1,041,674	1,671,154
Changes of assumptions	3,002,815	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,128,069
Total	<u>\$ 9,990,499</u>	<u>\$ 2,799,223</u>

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the net OPEB liability in the subsequent fiscal year. The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2023	\$ 23,493
2024	39,439
2025	73,922
2026	110,289
2027	383,408
Thereafter	614,715
Total	<u>\$ 1,245,266</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of \$1,370,386 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.3436%, and 0.3496%, resulting in a net decrease in the proportionate share of 0.0060%.

For the year ended June 30, 2022, the District recognized OPEB expense of \$(333,039).

Actuarial Methods and Assumptions

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	\$ 1,510,540
Current discount rate (2.16%)	1,370,386
1% increase (3.16%)	1,250,636

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 1,246,205
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	1,370,386
1% increase (5.50% Part A and 6.40% Part B)	1,512,753

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 105,000	\$ -	\$ -	\$ -	\$ 105,000
Stores inventories	216,783	561,832	-	29,156	807,771
Prepaid expenditures	777,690	-	-	9,450	787,140
Total nonspendable	1,099,473	561,832	-	38,606	1,699,911
Restricted					
Legally restricted programs	35,895,995	-	-	-	35,895,995
Student activity	-	-	-	1,335,055	1,335,055
Adult education	-	-	-	953,574	953,574
Child development	-	-	-	1,031,940	1,031,940
Food service	-	59,943,480	-	-	59,943,480
Capital projects	-	-	29,820,090	10,704,114	40,524,204
Debt service	-	-	-	12,134,351	12,134,351
Total restricted	35,895,995	59,943,480	29,820,090	26,159,034	151,818,599
Committed					
Literacy and numeracy	9,133,450	-	-	-	9,133,450
Assigned					
1:1 Devices	15,000,000	-	-	-	15,000,000
Donation carryover	1,200,000	-	-	-	1,200,000
COVID-19	15,000,000	-	-	-	15,000,000
Upcoming deficit	8,000,000	-	-	-	8,000,000
Deferred maintenance	9,274,561	-	-	-	9,274,561
Child care	-	-	-	488,907	488,907
Capital outlay	-	-	-	21,470,313	21,470,313
Strategic plan	5,000,000	-	-	-	5,000,000
Total assigned	53,474,561	-	-	21,959,220	75,433,781
Unassigned					
Reserve for economic uncertainties	12,361,056	-	-	-	12,361,056
Remaining unassigned	6,387,879	-	-	-	6,387,879
Total unassigned	18,748,935	-	-	-	18,748,935
Total	\$ 118,352,414	\$ 60,505,312	\$ 29,820,090	\$ 48,156,860	\$ 256,834,676

Note 12 - Risk Management

The District's risk management activities are recorded in the General Fund. The District participates in various public entity risk pools (JPAs) for workers' compensation coverage and property and liability insurance. Refer to Note 15 for additional information regarding the JPAs.

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2022, the District participated in Southern California Regional Liability Excess Fund (SCR) public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2022, the District participated in the Protected Insurance Program for Schools (PIPS), a public entity risk pool for workers' compensation insurance coverage. The intent of the PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the PIPS. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in PIPS. Each participant pays its workers' compensation premium based on its individual rate.

Employee Medical Benefits

The District has contracted with various commercial insurance carriers to provide employee health benefits, including health, dental, vision, and other miscellaneous insurance. The District pays a monthly premium based on the number of employees enrolled using pre-negotiated premium for each of the commercial insurance carriers.

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 104,015,934	\$ 43,006,851	\$ 101,145,028	\$ 7,537,213
CalPERS	70,645,936	15,747,483	28,214,840	8,227,089
Total	<u>\$ 174,661,870</u>	<u>\$ 58,754,334</u>	<u>\$ 129,359,868</u>	<u>\$ 15,764,302</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were \$23,935,064.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share

Proportionate share of net pension liability	\$ 104,015,934
State's proportionate share of the net pension liability	<u>52,336,784</u>
Total	<u><u>\$ 156,352,718</u></u>

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.2286 percent and 0.2307%, resulting in a net decrease in the proportionate share of 0.0021%.

For the year ended June 30, 2022, the District recognized pension expense of \$7,537,213. In addition, the District recognized pension expense and revenue of \$1,790,638 for support provided by the State. At June 30, 2022, 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	\$ 23,935,064	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,073,269	7,796,282
Differences between projected and actual earnings on pension plan investments	-	82,279,282
Differences between expected and actual experience in the measurement of the total pension liability	260,566	11,069,464
Changes of assumptions	<u>14,737,952</u>	<u>-</u>
Total	<u><u>\$ 43,006,851</u></u>	<u><u>\$ 101,145,028</u></u>

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

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

Year Ended June 30,	Deferred Inflows of Resources
2023	\$ (20,894,004)
2024	(19,111,187)
2025	(19,585,462)
2026	(22,688,629)
Total	<u>\$ (82,279,282)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 3,975,073
2024	4,436,098
2025	(2,423,796)
2026	(1,833,248)
2027	(2,148,411)
Thereafter	(1,799,675)
Total	<u>\$ 206,041</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 211,739,212
Current discount rate (7.10%)	104,015,934
1% increase (8.10%)	14,607,670

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.91%	22.91%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were \$12,722,970.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$70,645,936. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.3474% and 0.3493%, resulting in a net decrease in the proportionate share of 0.0019 percent.

For the year ended June 30, 2022, the District recognized pension expense of \$8,227,089. At June 30, 2022, 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	\$ 12,722,970	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	915,551	936,490
Differences between projected and actual earnings on pension plan investments	-	27,111,808
Differences between expected and actual experience in the measurement of the total pension liability	2,108,962	166,542
Total	<u>\$ 15,747,483</u>	<u>\$ 28,214,840</u>

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

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

Year Ended June 30,	Deferred Inflows of Resources
2023	\$ (6,799,618)
2024	(6,252,858)
2025	(6,519,011)
2026	(7,540,321)
Total	<u>\$ (27,111,808)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 1,956,646
2024	140,793
2025	(158,972)
2026	(16,986)
Total	<u>\$ 1,921,481</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 119,118,967
Current discount rate (7.15%)	70,645,936
1% increase (8.15%)	30,402,919

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$14,699,664 (10.828 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 14 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

Construction Commitments

As of June 30, 2022, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Myers ADA Front Entrance	\$ 12,108	March 31, 2023
Eisenhower High School Bleachers	460,328	June 30, 2023
Facilities Master Plan	19,588	June 30, 2023
Special Education Building Renovation	1,204,441	June 30, 2023
Milior High School Portables	423,000	August 31, 2023
Zupanich Virtual Academy	63,525	August 31, 2023
Central Kitchen Walk-In Freezer	3,139,677	December 30, 2023
District Waiting Parent Area	28,648	June 30, 2024
International Healing Garden	257,900	June 30, 2024
Marquee Projects	431,495	June 30, 2024
Eisenhower High School Two-Story Building	2,737,467	June 30, 2025
Total	<u>\$ 8,778,177</u>	

Note 15 - Participation in Public Entity Risk Pools, Joint Powers Authorities

The District is a member of the Southern California ReLIEF (SCR) and Protection Insurance Program for Schools (PIPS) public entity risk pools. The District pays an annual premium to the applicable entity for its workers' compensation and property and liability coverage. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2022, the District made payments of \$2,644,598 and \$5,525,478 to SCR and PIPS, respectively.

Note 16 - Adoption to New Accounting Standard - Restatement of Prior Year Net Position

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

Governmental Activities	
Beginning net position as previously reported as of June 30, 2021	\$ 131,816,710
Right-to-use leased assets, net of amortization	1,134,892
Lease liability	<u>(1,134,892)</u>
Net Position as Restated, July 1, 2021	<u><u>\$ 131,816,710</u></u>



Required Supplementary Information
June 30, 2022

Rialto Unified School District

Rialto Unified School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Local Control Funding Formula	\$ 295,013,933	\$ 304,448,343	\$ 304,448,344	\$ 1
Federal sources	35,959,576	56,613,557	33,896,285	(22,717,272)
Other State sources	25,923,342	53,720,661	54,451,781	731,120
Other local sources	15,452,191	26,025,142	21,774,898	(4,250,244)
Total revenues ¹	372,349,042	440,807,703	414,571,308	(26,236,395)
Expenditures				
Current				
Certificated salaries	150,669,513	160,035,459	147,188,688	12,846,771
Classified salaries	57,592,145	57,817,320	53,531,113	4,286,207
Employee benefits	111,761,906	116,138,136	107,749,984	8,388,152
Books and supplies	26,571,253	39,646,359	35,220,620	4,425,739
Services and operating expenditures	50,455,648	77,687,327	49,404,287	28,283,040
Other outgo	(753,319)	(709,989)	(774,800)	64,811
Capital outlay	18,242,051	21,708,383	6,217,757	15,490,626
Debt service				
Debt service - principal	859,808	881,754	1,134,102	(252,348)
Debt service - interest and other	440,452	440,549	463,744	(23,195)
Total expenditures ¹	415,839,457	473,645,298	400,135,495	73,509,803
Excess (Deficiency) of Revenues Over Expenditures	(43,490,415)	(32,837,595)	14,435,813	47,273,408
Other Financing Uses				
Transfers out	(3,179,573)	(15,318,668)	(10,022,372)	5,296,296
Net Change in Fund Balances	(46,669,988)	(48,156,263)	4,413,441	52,569,704
Fund Balance - Beginning	113,938,973	113,938,973	113,938,973	-
Fund Balance - Ending	\$ 67,268,985	\$ 65,782,710	\$ 118,352,414	\$ 52,569,704

¹ Due to the consolidation of Fund 14, Deferred Maintenance Fund, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures; however, they are not included in the original and final General Fund budgets.

Rialto Unified School District
 Budgetary Comparison Schedule – Cafeteria Fund
 Year Ended June 30, 2022

	Budgeted Amounts			Variances - Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Federal sources	\$ 18,980,610	\$ 21,868,441	\$ 23,322,867	\$ 1,454,426
Other State sources	1,037,968	1,037,968	1,332,941	294,973
Other local sources	514,068	596,168	(542,621)	(1,138,789)
Total revenues	20,532,646	23,502,577	24,113,187	610,610
Expenditures				
Current				
Classified salaries	5,834,153	5,641,574	4,775,963	865,611
Employee benefits	2,371,869	3,073,085	2,685,301	387,784
Books and supplies	14,515,000	15,689,418	8,150,491	7,538,927
Services and operating expenditures	777,600	670,056	473,279	196,777
Other outgo	485,618	685,618	271,378	414,240
Capital outlay	2,000,000	1,832,100	279,157	1,552,943
Total expenditures	25,984,240	27,591,851	16,635,569	10,956,282
Net Change in Fund Balances	(5,451,594)	(4,089,274)	7,477,618	11,566,892
Fund Balance - Beginning	53,027,694	53,027,694	53,027,694	-
Fund Balance - Ending	\$ 47,576,100	\$ 48,938,420	\$ 60,505,312	\$ 11,566,892

Rialto Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 1,685,763	\$ 1,527,692	\$ 1,324,117	\$ 1,442,282	\$ 1,400,274
Interest	2,198,223	2,159,813	2,267,816	2,092,781	2,008,596
Changes of benefit terms	-	-	494,652	-	-
Difference between expected and actual experience	1,201,931	-	(2,810,578)	-	-
Changes of assumptions	1,871,644	-	2,322,127	-	-
Benefit payments	(3,397,978)	(2,903,079)	(1,768,631)	(2,110,240)	(1,904,338)
Net change in total OPEB liability	3,559,583	784,426	1,829,503	1,424,823	1,504,532
Total OPEB Liability - Beginning	39,958,181	39,173,755	37,344,252	35,919,429	34,414,897
Total OPEB Liability - Ending (a)	<u>\$ 43,517,764</u>	<u>\$ 39,958,181</u>	<u>\$ 39,173,755</u>	<u>\$ 37,344,252</u>	<u>\$ 35,919,429</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 4,713,862	\$ 6,002,713	\$ 1,768,631	\$ 5,102,064	\$ 4,468,974
Net investment income	1,950,804	794,194	708,849	425,356	189,251
Benefit payments	(3,397,978)	(2,903,079)	(1,768,631)	(2,110,240)	(1,904,338)
Administrative expense	(5,169)	(6,180)	(1,932)	(10,258)	(2,225)
Net change in plan fiduciary net position	3,261,519	3,887,648	706,917	3,406,922	2,751,662
Plan Fiduciary Net Position - Beginning	13,502,984	9,615,336	8,908,419	5,501,497	2,749,835
Plan Fiduciary Net Position - Ending (b)	<u>\$ 16,764,503</u>	<u>\$ 13,502,984</u>	<u>\$ 9,615,336</u>	<u>\$ 8,908,419</u>	<u>\$ 5,501,497</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 26,753,261</u>	<u>\$ 26,455,197</u>	<u>\$ 29,558,419</u>	<u>\$ 28,435,833</u>	<u>\$ 30,417,932</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	38.52%	33.79%	24.55%	23.85%	15.32%
Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Net OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Rialto Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2022

Year ended June 30,	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	0.3436%	0.3496%	0.4114%	0.4039%	0.4164%
Proportionate share of the net OPEB liability	\$ 1,370,386	\$ 1,703,425	\$ 1,532,133	\$ 1,546,048	\$ 1,751,648
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Rialto Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Proportion of the net pension liability	0.2286%	0.2307%	0.2326%	0.2250%	0.2300%	0.2280%	0.2290%	0.2020%
Proportionate share of the net pension liability	\$ 104,015,934	\$ 223,552,587	\$ 210,050,732	\$ 206,790,750	\$ 212,704,000	\$ 184,408,680	\$ 154,171,960	\$ 118,042,470
State's proportionate share of the net pension liability	52,336,784	115,241,385	114,596,698	118,397,956	125,834,915	104,996,028	81,539,753	71,280,019
Total	<u>\$ 156,352,718</u>	<u>\$ 338,793,972</u>	<u>\$ 324,647,430</u>	<u>\$ 325,188,706</u>	<u>\$ 338,538,915</u>	<u>\$ 289,404,708</u>	<u>\$ 235,711,713</u>	<u>\$ 189,322,489</u>
Covered payroll	<u>\$ 126,364,186</u>	<u>\$ 126,246,263</u>	<u>\$ 126,404,410</u>	<u>\$ 120,818,288</u>	<u>\$ 120,654,817</u>	<u>\$ 116,779,730</u>	<u>\$ 104,660,822</u>	<u>\$ 100,458,242</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	82.31%	177.08%	166.17%	171.16%	176.29%	157.91%	147.31%	117.50%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
Proportion of the net pension liability	0.3474%	0.3493%	0.3418%	0.3266%	0.3192%	0.3108%	0.3249%	0.3270%
Proportionate share of the net pension liability	\$ 70,645,936	\$ 107,190,624	\$ 99,613,229	\$ 87,081,842	\$ 76,201,465	\$ 61,383,192	\$ 47,890,581	\$ 37,122,462
Covered payroll	<u>\$ 50,188,957</u>	<u>\$ 50,704,280</u>	<u>\$ 47,724,604</u>	<u>\$ 43,453,969</u>	<u>\$ 41,551,721</u>	<u>\$ 38,822,917</u>	<u>\$ 35,822,623</u>	<u>\$ 34,558,848</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	140.76%	211.40%	208.73%	200.40%	183.39%	158.11%	133.69%	107.42%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Rialto Unified School District
Schedule of the District's Contributions
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	\$ 23,935,064	\$ 20,407,816	\$ 21,588,111	\$ 20,578,638	\$ 17,434,079	\$ 15,178,376	\$ 12,530,465	\$ 9,293,881
Less contributions in relation to the contractually required contribution	23,935,064	20,407,816	21,588,111	20,578,638	17,434,079	15,178,376	12,530,465	9,293,881
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 141,460,189	\$ 126,364,186	\$ 126,246,263	\$ 126,404,410	\$ 120,818,288	\$ 120,654,817	\$ 116,779,730	\$ 104,660,822
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS								
Contractually required contribution	\$ 12,722,970	\$ 10,389,114	\$ 9,999,391	\$ 8,620,018	\$ 6,748,836	\$ 5,770,703	\$ 4,599,351	\$ 4,216,681
Less contributions in relation to the contractually required contribution	12,722,970	10,389,114	9,999,391	8,620,018	6,748,836	5,770,703	4,599,351	4,216,681
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 55,534,570	\$ 50,188,957	\$ 50,704,280	\$ 47,724,604	\$ 43,453,969	\$ 41,551,721	\$ 38,822,917	\$ 35,822,623
Contributions as a percentage of covered payroll	22.910%	20.700%	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget 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.

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

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuation.
- *Changes of Assumptions* – The healthcare trend rate was changed from 5.80% in 2020 to 6.00% in 2021.

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of the District's Contributions

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



Supplementary Information
June 30, 2022

Rialto Unified School District

Rialto Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through CDE			
Adult Education - Basic Grants to States ELA	84.002	14508	\$ 296,950.00
Adult Education - Basic Grants to States Secondary	84.002	13978	280,500
Subtotal			577,450
Title I Grant to Local Educational Agencies - Low Income and Neglected	84.010	14329	9,102,269
Title I Grant to Local Educational Agencies - School Improvement Funding	84.010	15438	579,995
Subtotal			9,682,264
Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	1,864,162
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	1,394,926
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	1,787,111
COVID 19 Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	2,483,676
COVID 19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	223,502
COVID 19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	1,577,600
COVID 19 Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	1,173
COVID 19 Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	703,163
COVID 19 CARES Act Supplemental Meal Reimbursement	84.425D	15535	1,402,575
Subtotal			11,437,888
Supporting Effective Instruction State Grants	84.367	14341	749,435
English Language Acquisition State Grants - English Learner Student Program	84.365	14346	627,851
Student Support and Academic Enrichment Program	84.424	15396	487,204
Twenty-First Century Community Learning Centers	84.287	14535	241,775
Career and Technical Education - Basic Grants to States	84.048	14894	243,493
Passed Through East Valley SELPA			
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	4,383,758
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	1,535
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	281,511
Subtotal			4,666,804

Rialto Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Preschool Grants, Part B, Sec 619	84.173	13430	\$ 109,927
Preschool Capacity Building, Part B, Sec 619	84.173A	13839	14,390
Preschool Staff Development, Part B, Sec 619	84.173A	13431	849
Subtotal			125,166
Total Special Education Cluster (IDEA)			4,791,970
Total U.S. Department of Education			28,839,330
U.S. Department of Health and Human Services			
Passed Through CDE			
Child Care and Development Fund Cluster			
COVID 19: Child Dev: Coronavirus Response and Relief			
Supplemental Appropriations (CRRSA) Act- One-time Stipend	93.575	15555	125,443
Total Child Care and Development Fund Cluster			125,443
Total U.S. Department of Health and Human Services			125,443
U.S. Department of Agriculture			
Passed Through CDE			
Child Nutrition Cluster			
National School Lunch Program	10.555	13524	12,724,293
National School Lunch Program - Commodities	10.555	13524	1,374,856
Subtotal			14,099,149
School Breakfast Program - Basic	10.553	13390	114,355
School Breakfast Program - Especially Needy	10.553	13526	6,188,155
Subtotal			6,302,510
Summer Food Services Program for Children - Operations	10.559	13004	844,619
Summer Food Services Program for Children - Administration	10.559	13006	87,182
Subtotal			931,801
Total Child Nutrition Cluster			21,333,460
Passed Through California Department of Social Services			
Child and Adult Care Food Program	10.558	13393	1,306,497
COVID 19: CACFP COVID-19 Emergency Operational Costs			
Reimbursement (ECR)	10.558	15577	104,153
Subtotal			1,410,650
Fresh Fruit and Vegetable Program	10.582	14968	572,944
Forest Reserve Funds	10.665	10044	21,036
Total U.S. Department of Agriculture			23,338,090
U.S. Department of Defense			
ROTC Language and Culture Training Grants	12.357	[1]	249,546
Total U.S. Department of Defense			249,546
Federal Communications Commission			
Emergency Connectivity Fund Program	32.009	[1]	6,176,813
Total Federal Communications Commission			6,176,813
Total Federal Financial Assistance			\$ 58,729,222

ORGANIZATION

The Rialto Unified School District (the District) was unified on July 1, 1964 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates nineteen elementary schools, five middle schools, three high schools, a continuation high school, an alternative high school, an adult education school, a preschool program, and an infant program. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mr. Joseph Martinez	President	2024
Mr. Edgar Montes	Vice President	2022
Mrs. Stephanie Lewis	Clerk	2024
Ms. Diana Walker	Member	2022
Mrs. Nancy G. O'Kelley	Member	2024

ADMINISTRATION

Dr. Cuauhtémoc Avila	Superintendent
Dr. Rhea McIver Gibbs	Lead Strategic Agent
Diane Romo	Lead Business Services Agent
Nicole Albiso	Lead Fiscal Services Agent

Rialto Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2022

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	6,377.12	6,381.89
Fourth through sixth	5,002.09	5,000.21
Seventh and eighth	3,410.35	3,400.16
Ninth through twelfth	6,952.11	6,914.38
Total Regular ADA	21,741.67	21,696.64
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	4.29	4.30
Seventh and eighth	0.82	1.75
Ninth through twelfth	14.01	13.53
Total Special Education, Nonpublic, Nonsectarian Schools	19.12	19.58
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.73	0.73
Seventh and eighth	1.91	1.91
Ninth through twelfth	6.20	6.20
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	8.84	8.84
Total ADA	21,769.63	21,725.06

Rialto Unified School District

Schedule of Instructional Time

Year Ended June 30, 2022

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Traditional Calendar			Multitrack Calendar			Status
			Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	36,540	180	-	180	N/A	N/A	N/A	Complied
Grades 1 - 3	50,400								
Grade 1		51,030	180	-	180	N/A	N/A	N/A	Complied
Grade 2		51,030	180	-	180	N/A	N/A	N/A	Complied
Grade 3		51,030	180	-	180	N/A	N/A	N/A	Complied
Grades 4 - 8	54,000								
Grade 4		54,630	180	-	180	N/A	N/A	N/A	Complied
Grade 5		54,630	180	-	180	N/A	N/A	N/A	Complied
Grade 6		54,630	180	-	180	N/A	N/A	N/A	Complied
Grade 7		62,352	180	-	180	N/A	N/A	N/A	Complied
Grade 8		62,352	180	-	180	N/A	N/A	N/A	Complied
Grades 9 - 12	64,800								
Grade 9		65,548	180	-	180	N/A	N/A	N/A	Complied
Grade 10		65,548	180	-	180	N/A	N/A	N/A	Complied
Grade 11		65,548	180	-	180	N/A	N/A	N/A	Complied
Grade 12		65,548	180	-	180	N/A	N/A	N/A	Complied

Rialto Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2022

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements:

	<u>General Fund</u>
Fund Balance	
Balance, June 30, 2022, Unaudited Actuals	\$ 112,175,601
Increase in	
Receivables	<u>6,176,813</u>
Balance, June 30, 2022, Audited Financial Statements	<u><u>\$ 118,352,414</u></u>

Rialto Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2022

	(Budget) 2023 ¹	2022	2021 ¹	2020 ¹
General Fund ³				
Revenues	\$ 447,559,355	\$ 414,637,425	\$ 396,519,898	\$ 343,773,234
Expenditures	491,224,518	398,257,270	351,511,212	332,735,116
Other uses	2,108,725	15,435,681	9,863,097	7,665,845
Total expenditures and other uses	493,333,243	413,692,951	361,374,309	340,400,961
Increase/(Decrease) in Fund Balance	(45,773,888)	944,474	35,145,589	3,372,273
Ending Fund Balance	\$ 63,303,965	\$ 109,077,853	\$ 108,133,379	\$ 72,987,790
Available Reserves ²	\$ 14,809,894	\$ 18,748,935	\$ 14,665,227	\$ 10,212,124
Available Reserves as a Percentage of Total Outgo	3.00%	4.53%	4.06%	3.00%
Long-Term Liabilities, as Restated	N/A	\$ 360,699,092	\$ 524,688,033	\$ 506,277,979
K-12 Average Daily Attendance at P-2	21,481	21,770	24,042	24,042

The General Fund balance has increased by \$36,090,063 over the past two years. The fiscal year 2022-2023 budget projects a decrease of \$45,773,888 (42.0%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years but anticipates incurring an operating deficit during the 2022-2023 fiscal year. Total long-term liabilities have decreased by \$145,578,887 over the past two years.

Average daily attendance has decreased by 2,272 over the past two years. An additional decline of 289 in ADA is anticipated during fiscal year 2022-2023.

¹ Financial information for 2023, 2021, and 2020 are included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ General Fund amounts do not include activity related to the consolidation of the Fund 14, Deferred Maintenance Fund, as required by GASB Statement No. 54.

Rialto Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2022

	Student Activity Fund	Adult Education Fund	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets								
Deposits and investments	\$ 1,322,032	\$ 498,769	\$ 3,530,966	\$ 9,522,329	\$ 835,129	\$ 19,179,120	\$ 12,134,351	\$ 47,022,696
Receivables	61,863	753,561	78,297	491,081	2,216	39,355	-	1,426,373
Due from other funds	-	-	-	-	-	2,600,032	-	2,600,032
Prepaid expenditures	-	-	-	9,450	-	-	-	9,450
Stores inventories	29,156	-	-	-	-	-	-	29,156
Total assets	\$ 1,413,051	\$ 1,252,330	\$ 3,609,263	\$ 10,022,860	\$ 837,345	\$ 21,818,507	\$ 12,134,351	\$ 51,087,707
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 48,840	\$ 143,831	\$ 174,949	\$ 34,866	\$ 111,775	\$ 348,194	\$ -	\$ 862,455
Due to other funds	-	154,925	1,913,467	-	-	-	-	2,068,392
Total liabilities	48,840	298,756	2,088,416	34,866	111,775	348,194	-	2,930,847
Fund Balances								
Nonspendable	29,156	-	-	9,450	-	-	-	38,606
Restricted	1,335,055	953,574	1,031,940	9,978,544	725,570	-	12,134,351	26,159,034
Assigned	-	-	488,907	-	-	21,470,313	-	21,959,220
Total fund balances	1,364,211	953,574	1,520,847	9,987,994	725,570	21,470,313	12,134,351	48,156,860
Total liabilities and fund balances	\$ 1,413,051	\$ 1,252,330	\$ 3,609,263	\$ 10,022,860	\$ 837,345	\$ 21,818,507	\$ 12,134,351	\$ 51,087,707

Rialto Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2022

	Student Activity Fund	Adult Education Fund	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues								
Federal sources	\$ -	\$ 577,450	\$ 291,000	\$ -	\$ -	\$ -	\$ -	\$ 868,450
Other State sources	-	1,475,606	3,746,879	-	-	-	72,805	5,295,290
Other local sources	1,526,482	(5,704)	181,065	1,293,518	(13,002)	(275,474)	10,300,352	13,007,237
Total revenues	1,526,482	2,047,352	4,218,944	1,293,518	(13,002)	(275,474)	10,373,157	19,170,977
Expenditures								
Current								
Instruction	-	1,213,473	3,428,545	-	-	-	-	4,642,018
Instruction-related activities								
Supervision of instruction	-	4,238	131,061	-	-	-	-	135,299
School site administration	-	426,623	1,032,272	-	-	-	-	1,458,895
Pupil services								
All other pupil services	-	181,412	67,822	-	-	-	-	249,234
Administration								
All other administration	-	53,953	210,147	-	-	-	-	264,100
Plant services	-	12,601	187,094	-	-	-	-	199,695
Ancillary services	1,294,782	-	-	-	-	-	-	1,294,782
Facility acquisition and construction	-	-	22,533	272,779	742,025	1,720,157	-	2,757,494
Debt service								
Principal	-	-	-	-	-	-	8,489,142	8,489,142
Interest and other	-	-	-	-	-	-	1,866,518	1,866,518
Total expenditures	1,294,782	1,892,300	5,079,474	272,779	742,025	1,720,157	10,355,660	21,357,177
Excess (Deficiency) of Revenues Over Expenditures	231,700	155,052	(860,530)	1,020,739	(755,027)	(1,995,631)	17,497	(2,186,200)
Other Financing Sources								
Transfers in	-	-	771,229	-	-	9,251,143	-	10,022,372
Net Change in Fund Balances	231,700	155,052	(89,301)	1,020,739	(755,027)	7,255,512	17,497	7,836,172
Fund Balance - Beginning	1,132,511	798,522	1,610,148	8,967,255	1,480,597	14,214,801	12,116,854	40,320,688
Fund Balance - Ending	\$ 1,364,211	\$ 953,574	\$ 1,520,847	\$ 9,987,994	\$ 725,570	\$ 21,470,313	\$ 12,134,351	\$ 48,156,860

See Notes to Supplementary Information

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Rialto Unified School District (the District) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Rialto Unified School District, it is not intended to and does not present the financial position, changes in net position and fund balance, or cash flows of Rialto Unified School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District did not report any commodities inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of COVID-19 CARES Act Supplemental Meal Reimbursement funds and COVID-19 Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, COVID-19 Pandemic EBT Local Administrative Grant funds, COVID-19 American Rescue Plan (ARP) California State Preschool Program One-time Stipend funds, and Supply Chain Assistance (SCA) Funds have been recorded in the current period as revenues that have not been expended as of June 30, 2022. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	Federal Financial Assistance Listing Number	Amount
Total Federal Revenues reported on the financial statements		\$ 58,087,602
COVID-19 CARES Act Supplemental Meal Reimbursement	84.425D	1,402,575
COVID-19 Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend	93.575	125,443
COVID-19 Pandemic EBT Local Administrative Grant	10.649	(5,814)
COVID-19 American Rescue Plan (ARP) California State Preschool Program One-time Stipend	93.575	(291,000)
Supply Chain Assistance (SCA) Funds	10.555	(589,584)
Total Federal Financial Assistance		<u>\$ 58,729,222</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

These schedules are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.



Independent Auditor's Reports
June 30, 2022

Rialto Unified School District



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Governing Board
Rialto Unified School District
Rialto, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rialto Unified School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2023.

Adoption of New Accounting Standard

As discussed in Notes 1 and 16 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Rialto Unified School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
February 17, 2023



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Governing Board
Rialto Unified School District
Rialto, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rialto Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Rancho Cucamonga, California
February 17, 2023



Independent Auditor's Report on State Compliance

To the Governing Board
Rialto Unified School District
Rialto, California

Report on Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited Rialto Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2022.

Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022, except as described in the accompanying Schedule of Findings and Questioned Costs.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts as described in the schedule of findings and questioned costs as findings 2022-002.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	Yes, see below
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	No, see below
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Charter Schools	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes – Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 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 a material noncompliance with compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
February 17, 2023



Schedule of Findings and Questioned Costs
June 30, 2022

Rialto Unified School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing Number
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID 19 Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D
COVID 19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U
COVID 19 Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U
COVID 19 Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C
COVID 19 Expanded Learning Opportunities (ELO) Grant GEER II	84.425C
COVID 19 CARES Act Supplemental Meal Reimbursement	84.425D
Special Education Cluster (IDEA)	84.027, 84.173
Child Nutrition Cluster	10.553, 10.555, 10.559, & 10.582
Emergency Connectivity Fund	32.009
Dollar threshold used to distinguish between type A and type B programs	\$1,761,877
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for programs	Unmodified*

*Unmodified for all programs except for the following
program which was qualified

<u>Name of Program</u>
Unduplicated Local Control Funding Formula Pupil Counts

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code

AB 3627 Finding Type

30000

Internal Control

2022-001 30000 – Internal Control Over Financial Reporting

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting journal entries reclassifying journal entries, and conversion entries used in the preparation of the District's financial statements. Additionally, the District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During the course of our engagement, we identified a material misstatement of balances presented within the District's General Fund, as reported on the 2021-2022 unaudited financial statements. The description of the misstatement is as follows:

- The District did not recognize a receivable of \$6,176,813 related to the Federal Emergency Connectivity Fund program. This resulted in an understatement of revenues reported in the General Fund by \$6,176,813.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with District personnel and through review of available District records related to balances reported in the District's 2021-2022 unaudited financial statements.

Effect

The effect of this error resulted in a misstatement that was not detected or prevented by the District's internal control. As reported on the 2021-2022 unaudited financial statements, the District's General Fund ending fund balance was understated by \$6,176,813 as of June 30, 2022.

Cause

The cause of the condition identified appears to be attributed to an oversight related to a new federal program. In conjunction, the condition identified appears to be due to the inadequate review process related to the preparation of the District's year-end financial statements, which includes the review of revenues and accounts receivables to determine their proper reporting period.

Repeat Finding

No.

Recommendation

In light of the condition identified, the District should exercise care during its annual year-end closing process. The District should implement a process to review all balances during its year-end closing process to determine the proper cut-off period for revenues.

Corrective Action Plan and Views of Responsible Officials

The California School Accounting Manual (CSAM) establishes the revenue recognition principles for revenue received in a school district. Revenue is recognized when the funds are realized and earned. For programs funded on a reimbursement basis it is unpredictable when the revenue stream will be realized, therefore, revenue is recognized when checks are received by the District. This practice was followed for the Emergency Connectivity Fund. The Emergency Connectivity Fund program was not accrued as of June 30, 2022 because the District had not received confirmation of funding at the time of year-end closing. A conservative approach was taken by not setting up the \$6.1 million receivable as funding had not been confirmed. The District received notification funding had been approved on September 16, 2022. The District will perform its due diligence in identifying the proper treatment of year end accruals to ensure they are properly stated on the financial statements.

None reported.

The following findings represent a significant deficiency and an instance of noncompliance that is required to be reported by the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2022-002 40000 – Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states that the school districts should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education (CDE) was inaccurate. It appears that the District inaccurately reported eligibility status for a total of 71 students for Free or Reduced-Price Meals (FRPM) designation on CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The questioned costs associated with this condition resulted in a net decrease of \$137,231 in Local Control Funding Formula. The estimated penalty was calculated using the CDE's Audit Penalty Calculator.

Context

The condition, related to FRPM status, was identified when we requested supporting documents for the sample of students' FRPM status. The students were selected from the pupils in the FRPM category on the CALPADS Form 1.18. 11 of 120 students tested was categorized as Free/Reduced; however, the alternative income verification form did not support the status. The auditor inquired further with the District and determined that the District had not reviewed the data to ensure accuracy. The District provided the auditor with a revised count and it was noted that the District overreported its FRPM count by 71.

Effect

As a result of our testing, it appears that the District did not properly analyze the alternative household income data collection forms to properly complete the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The results of our testing have been documented as follows:

Certified Total Enrollment Count	Certified Total Unduplicated Count	Adjustment to Total Enrollment Count	Adjustment Based on Eligibility for EL	Adjustment Based on Eligibility for FRPM	Adjusted Total Enrollment	Adjusted Total Unduplicated Pupil Count
24,098	20,830	0	0	(71)	24,098	20,759

Cause

The condition identified, related to FRPM, has materialized due to the District's lack of review process to ensure accuracy of the data reported in CALPADS.

Repeat Finding

No.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received.

Corrective Action Plan and Views of Responsible Officials

The Free, Reduced, Paid Meal determination prepared by the District is extracted from data housed in the student information system, Synergy. One of the methods to classify families is to extend benefits for all members of a household living at the same address. If two families share one home and one family is eligible based on their income and the second family is not, the first family's eligibility is extended to the second family. All students in the home would be reported as Free & Reduced. During the audit, it was identified that Synergy grouped all families within the same address because it did not separate each household by the apartment number or space number, causing an over identification of students as Free & Reduced. The District has corrected the data and processed revised CALPADS files. The District has reinforced the review procedures prior to submission of CALPADS reports to ensure student information is reported accurately.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2021-001 30000 – Internal Control

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting journal entries reclassifying journal entries, and conversion entries used in the preparation of the District's financial statements. Additionally, the District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During the course of our engagement, we identified a material misstatement of balances presented within the District's Cafeteria Fund (Fund 13), as reported on the 2020-2021 unaudited financial statements. The description of the misstatement is as follows:

- The District did not recognize a receivable of \$2,742,997 related to meal reimbursements due from the State. This resulted in an understatement of revenues reported in the Cafeteria Fund (Fund 13) by \$2,742,997.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with District personnel and through review of available District records related to balances reported in the District's 2020-2021 unaudited financial statements.

Effect

The effect of this error resulted in a misstatement that was not detected or prevented by the District's internal control. As reported on the 2020-2021 unaudited financial statements, the District's Cafeteria Fund's (Fund 13) ending fund balance was understated by \$2,742,997 as of June 30, 2021.

Cause

The cause of the condition identified appears to be attributed to the change in personnel that are responsible for closing the District's fiscal year-end. In conjunction, the condition identified appears to be due to the inadequate review process related to the preparation of the District's year-end financial statements, which includes the review of revenues and accounts receivables to determine their proper reporting period.

Repeat Finding

No.

Recommendation

In light of condition identified, the District should exercise care during its annual year-end closing process. The District should implement a process to review all balances during its year-end closing process to determine the proper cut-off period for revenues.

Current Status

Implemented.

State Compliance Finding

2021-002 40000 - Instructional Time

Criteria or Specific Requirements

According to *Education Code* Section 46200, a District must offer 180 school days per year for traditional calendar schools, and 163 days per year for year-round calendar schools to be eligible to receive long-year incentive funding. In addition, *Education Code* Section 46141 states that the minimum school days in grades nine through twelve is 240 minutes and *Education Code* Section 46142 allows the minimum school day minutes to be computed using an average of 2 consecutive school days to arrive at the minimum school day, as long as the number of minutes in any one school day is never less than 180 minutes. In order to count a school day as a day of instruction for incentive funding under *Education Code* Section 42600, the District must meet the minimum daily minute requirements of *Education Code* Section 46141 and 46142.

Condition

The District did not meet the minimum day requirement for grades nine, ten, and twelve at one of its high schools for four days, and as a result, only offered 178 school days during the fiscal year of 2020-2021. The following schedule summarizes the non-compliance:

Questioned Costs

Using the California Department of Education's latest published "Estimating the Cost of an Instructional Time Audit Penalty" worksheet, the penalty calculation is as follows:

ADA for grade levels affected (9th through 12th grade ADA as reported on Second Period Report of Attendance from 2019-2020) – 7,508.08 ADA

Derived Value of ADA - \$12,868.21

Days Non-Compliant – 4 day

Calculation – $0.0056 \times 7,508.08 \text{ ADA} \times \$12,868.21 \times 2 = \$1,082,094$

Context

The condition was communicated by the District. The District was severely impacted by a cyberattack that was launched against the District during September of 2020. As a result of the cyberattack, the District's internal systems were rendered inoperable and creating a condition that prevented the District from operating under distance learning conditions.

Effect

As a result of the condition identified, the District did not comply with *Education Code* Section 46200 and will be penalized by the State for a total of \$1,082,094.

Cause

The cause is directly attributed to the District's IT systems becoming compromised by an external cyberattack.

Repeat Finding

No.

Recommendation

On a go-forward basis, the District should consider having an alternative instruction plan when and if there are similar operating conditions where the IT systems are rendered inoperable. Additionally, the District should perform a comprehensive and on-going evaluation of its cyber security measure to ensure that the District does not get comprised in the future.

Current Status

Implemented.

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Series 2023 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2023 Bonds in substantially the following form:

[Date of Delivery]

Rialto Unified School District
Rialto, California

Rialto Unified School District
(County of San Bernardino, California)
General Obligation Bonds, Election of 2022, Series 2023
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Rialto Unified School District (the “District”), which is located in the County of San Bernardino (the “County”), in connection with the issuance by the District of \$79,996,359.65 aggregate initial principal amount of Rialto Unified School District (San Bernardino County, California) General Obligation Bonds, Election of 2022, Series 2023 (the “Series 2023 Bonds”), representing part of an issue authorized at an election held in the District on November 8, 2022. The Series 2023 Bonds are issued under and pursuant to a resolution of the Board of Education of the District adopted on March 22, 2023 (the “Resolution”). Capitalized undefined terms used herein have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed the Resolution, the Tax Certificate, an opinion of counsel to the District, certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the original delivery of the Series 2023 Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the original delivery of the Series 2023 Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2023 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Series 2023

Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Series 2023 Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the District or the County in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. We also express no opinion regarding the accreted value table or calculation set forth or referred to in any of the Series 2023 Bonds or in the Resolution. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated June 21, 2023, or other offering material relating to the Series 2023 Bonds and express no opinion or view with respect thereto.

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

1. The Series 2023 Bonds constitute valid and binding obligations of the District.
2. The Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.
3. The Board of Supervisors of the County has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Series 2023 Bonds and the interest thereon.
4. Interest on the Series 2023 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2023 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Series 2023 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2023 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the Rialto Unified School District (the “District”) in connection with the issuance of \$79,996,359.65 aggregate initial principal amount of Rialto Unified School District (County of San Bernardino, California) General Obligation Bonds, Election of 2022, Series 2023 (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on March 22, 2023 (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 Securities and Exchange Commission Rule 15c2-12(b)(5).

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” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

“Beneficial Owner” means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“County” means the County of San Bernardino.

“Dissemination Agent” means KNN Public Finance LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Financial Obligation” means, for the purposes of the Listed Events set out in Sections 5(a)(x) and 5(b)(viii), (a) a debt obligation of the District, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the District, or (c) a guarantee of (i) a debt obligation of the District, or (ii) a derivative instrument described in clause (b), above; provided, however, that the term “Financial Obligation” shall not include “municipal securities” (as such term is defined in the Securities Exchange Act of 1934, as amended) as to which a “final official statement” (as such term is defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holder” means the person in whose name any Bond shall be registered.

“Listed Events” means any of the events listed in Section 5(a) or (b).

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the Official Statement, dated June 21, 2023, as amended on June 27, 2023 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

“Participating Underwriter” means the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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 (which due date shall be April 1 of each year, so long as the District’s fiscal year ends on June 30), commencing with the report for the 2022-23 Fiscal Year (which is due not later than April 1, 2024), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4; provided, however, 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, or shall cause the Dissemination Agent to, give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; and

(ii) (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB 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 provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

- (i) The adopted budget of the District for the then current fiscal year.
- (ii) The District's average daily attendance for the last completed fiscal year.
- (iii) The District's outstanding debt.
- (iv) Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County.
- (v) Information regarding twenty taxpayers with the greatest combined ownership of taxable property in the District, if and to the extent provided to the District by the County.
- (vi) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

Any or all of the items listed above may be set forth in one or a set of documents or 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 made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events. (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 later than ten business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers or their failure to perform;
- (v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) tender offers;
- (vii) defeasances;
- (viii) rating changes;
- (ix) bankruptcy, insolvency, receivership or similar event of the District; or
- (x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

For the purposes of the event identified in paragraph (ix) of this subsection, 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) 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, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph (v) of subsection (a) of this section, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond Holders;

(iii) Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) 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;

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent; or

(viii) incurrence of a Financial Obligation, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) that the District determines would be material under applicable federal securities laws, the District shall within ten business days of occurrence of the Listed Event file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in paragraph (iii) of subsection (b) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure 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 a filing with the MSRB.

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. 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. The initial Dissemination Agent shall be KNN Public Finance LLC.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Section 3(a), Section 4, or Section 5(a) or (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 the District 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; and
- (c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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 a filing with the MSRB, 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 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, 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 in addition to that which is specifically required by this Disclosure Certificate, the

District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. 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; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County or in U.S. District Court in or nearest to the County. 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 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), 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 attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Electronic Signature. Each of the parties hereto agrees that the transaction consisting of this Disclosure Certificate may be conducted by electronic means. Each party agrees and acknowledges that it is such party's intent that, by signing of this Disclosure Certificate using an electronic signature, it is signing, adopting and accepting this Disclosure Certificate, and that signing this Disclosure Certificate using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Disclosure Certificate on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Disclosure Certificate in a usable format.

Dated: July 11, 2023

RIALTO UNIFIED SCHOOL DISTRICT

By: _____

ACCEPTED AND AGREED TO:

**KNN PUBLIC FINANCE LLC,
as Dissemination Agent**

By: _____
Authorized Signatory

EXHIBIT A

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: RIALTO UNIFIED SCHOOL DISTRICT

Name of Issue: Rialto Unified School District (County of San Bernardino, California)
General Obligation Bonds, Election of 2022, Series 2023

Date of Issuance: July 11, 2023

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the District, dated July 11, 2023. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

RIALTO UNIFIED SCHOOL DISTRICT

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APPENDIX E

COUNTY OF SAN BERNARDINO INVESTMENT POLICIES AND PRACTICES; DESCRIPTION OF INVESTMENT POOL

In accordance with Education Code Section 41001, substantially all District operating funds are required to be held by the Treasurer/Tax Collector of the County of San Bernardino (the "County Treasurer"). The Investment Policy describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the County Treasurer and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Treasurer/Tax Collector, 268 West Hospitality Lane, First Floor, San Bernardino, CA 92415-0360.

The District and the Underwriters have not made an independent investigation of the investments in the Pool and have made no assessment of the current Investment Policy. The value of the various investments in the 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 County Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors, may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described herein.

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Treasurer's Investment Policy

June 28

2022

AUDITOR-CONTROLLER/TREASURER/TAX
COLLECTOR
SAN BERNARDINO COUNTY

Annual
Statement of
Investment
Policy



OFFICE OF THE
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
SAN BERNARDINO COUNTY
TREASURER'S STATEMENT OF INVESTMENT POLICY
As approved by the Board of Supervisors on July 12, 2022

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1.0 INTRODUCTION:

San Bernardino County (County) has a fiduciary responsibility to maximize the productive use of its liquid assets entrusted to its care and to manage those public funds wisely and prudently. The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. Related activities which comprise good cash management include accurate cash projections, the expeditious collection of revenue, the control of disbursements, cost-effective banking relations, and short-term borrowing program which coordinates working capital requirements and investment opportunity. It is the policy of the County to invest public funds in a manner that will provide high investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

2.0 SCOPE:

San Bernardino County's Investment Policy Statement (IPS) has been prepared in accordance with California State law. The purpose of this policy is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the management and investment of the County Treasury Pool, which consists of the pooled monies held on behalf of the County, school districts, community college districts and certain special districts within the County.

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

3.0 FIDUCIARY RESPONSIBILITY:

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

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

4.0 PORTFOLIO OBJECTIVES:

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

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

5.0 DELEGATION OF AUTHORITY:

The Treasurer's authority for making investments is delegated by the Board of Supervisors in accordance with the California Government Code. Statutory authority for the investment and safekeeping functions are found in Sections [53600](#) et seq. and [53630](#) et seq. of the California Government Code. The Treasurer has authorized funds covered under this IPS to be invested by the Auditor-Controller/Treasurer/Tax Collector, Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, Investment Analyst(s) and authorized contracted consultant(s) when applicable.

6.0 STAFF AUTHORIZED TO MAKE INVESTMENTS:

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

7.0 ETHICS & CONFLICTS OF INTEREST:

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

8.0 AUTHORIZED INVESTMENTS:

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

9.0 DIVERSIFICATION:

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

10.0 MATURITY PARAMETERS:

As stated in the Liquidity section of this IPS, the duration-to-maturity of the portfolio shall not exceed 2.00. To provide sufficient liquidity to meet daily expenditure requirements for the following 12 months, the portfolio shall maintain at least 40% of its par value in securities having a maturity of 12 months or less. The County Board of Supervisors has given prior approval on specific securities to mature at 5 years and 6 months (Schedule I). Repurchase Agreements using longer-dated investments are not to exceed 5 years to maturity. Reserve funds may be invested based on the maturity parameters expressed in the legal document.

11.0 REPURCHASE AGREEMENTS:

Repurchase agreements are restricted to primary dealers of the Federal Reserve Bank of New York. All counterparties must sign a Securities Industry & Financial Markets Association (formerly known as The Bond Market Association) Master Repurchase Agreement and, for tri-party repurchase agreements, a Tri-Party

Repurchase Agreement as well before engaging in any repurchase agreement transactions. Collateral for repurchase agreements shall have a market value of at least 102% of the amount invested and must have a maximum stated final maturity of 5 years. Collateral shall be marked to market by staff or by an independent third-party and the custodial bank acting under contract to the County. Collateral for term repurchase agreements shall be marked to market no less than once weekly. Repurchase agreements are required to be collateralized by securities authorized under Section 53601 et seq. of the California Government Code.

12.0 INVESTMENT POOLS and MUTUAL FUNDS:

A thorough investigation of the government sponsored pools and/or mutual funds is required prior to investing and on a continual basis. The County's due diligence resulted in investment parameters for JPA Investment Pools and Money Market Mutual Funds that are listed on Schedule I.

13.0 PROHIBITED INVESTMENTS:

No investment shall be made that is prohibited by law. Thus, no investments are authorized in inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, nor in any other investment that could result in zero interest if held to maturity, unless, if issued or backed by the United States Government in the event of, and for the duration of, a period of negative market interest rates. Additionally, the following types of investments are also prohibited:

- Mutual bond funds that do not maintain a constant Net Asset Value (NAV).
- Illiquid securities which lack a readily available secondary market for trading.

14.0 AUTHORIZED INVESTMENT ADVISORS:

The County may enter into an agreement with an investment advisor for investment management and/or investment advisory services. The investment advisor will operate under the direction of the County Treasurer. The investment advisor must be registered with the Securities and Exchange Commission (SEC) and submit forms ADV Part 1 and ADV Part 2A on an annual basis.

15.0 AUTHORIZED BROKER/DEALERS:

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

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

16.0 DUE DILIGENCE:

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

17.0 INTERNAL CONTROLS:

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

of duties, safekeeping, collateralization, wire transfers and banking related activities. Except for declared emergencies, the County Treasurer's Office shall observe the following procedures on a daily basis:

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

18.0 SECURITY CUSTODY & DELIVERY:

All securities purchased shall be deposited for safekeeping with the custodial bank that has contracted to provide the County Treasurer with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third-party trust department arrangements provide the County with a perfected interest in, ownership of and control over the securities held by the bank custodian on the County's behalf and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts.

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

19.0 COMPETITIVE PRICING:

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

20.0 MITIGATING MARKET & CREDIT RISKS:

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

21.0 LIQUIDITY:

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

22.0 PERFORMANCE EVALUATION:

Portfolio performance is monitored daily by the Treasurer and monthly by third-party analysis, which includes security pricing, yield and total return, and performance attribution. The portfolio shall be designed to earn a market rate of investment income in relationship to our budgetary needs and economic developments.

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

23.0 TRADING & EARLY SALE OF SECURITIES:

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

24.0 PURCHASE OF SECURITIES FOR FORWARD SETTLEMENT:

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

25.0 PORTFOLIO REPORTS/AUDITING:

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

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

All security holdings shall be reconciled no less than monthly by the County Treasurer and, in accordance with California Government Code Sections [26920](#) and [26922](#), audited at least annually by an independent certified public accounting firm selected in accordance with County procurement policy.

26.0 TREASURY OVERSIGHT COMMITTEE:

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

- Review the Treasurer's annual IPS and any subsequent changes thereto prior to submission to the Board of Supervisors for review and adoption.
- Review the Treasurer's investment portfolio reports and the portfolio's compliance with law and this Investment Policy.
- Cause an annual audit to be conducted of the Treasury Oversight Committee in accordance with California Government Code Section [27134](#).

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

All meetings of the Oversight Committee are to be open to the public and subject to the Ralph M. Brown Act.

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

27.0 QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS:

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

28.0 QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS:

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

WITHDRAWAL OF FUNDS:

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

The request should be submitted and processed as follows:

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

29.0 CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY INTO THE TREASURY POOL:

The County Treasurer is not soliciting nor accepting any new agency’s voluntary entry into the Treasury Pool.

30.0 POLICY ADOPTION & AMENDMENTS:

This IPS will become effective immediately following adoption by the Board of Supervisors. This policy shall be reviewed annually by the County’s Treasury Oversight Committee and approved by the County Board of Supervisors. It will remain in force as long as the delegation of authority to the Treasurer to invest is in effect and until the IPS is subsequently amended in writing by the County Auditor-Controller/Treasurer/Tax Collector, reviewed by the Treasury Oversight committee and approval by the Board of Supervisors.

31.0 AUTHORIZED INVESTMENTS (SCHEDULE I)

SAN BERNARDINO COUNTY INVESTMENT POLICY					
OFFICE OF THE AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR (SCHEDULE I)					
AUTHORIZED INVESTMENTS	DIVERSIFICATION	PURCHASE RESTRICTIONS		MATURITY (not to exceed)	MINIMUM ALLOWABLE CREDIT QUALITY (S&P/MOODY'S/FITCH)
United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the U. S. are pledged for the payment of principal and interest 53601(b)	100%	None		5 years and 6 months	Not Applicable
Notes, participations or obligations issued or fully guaranteed as to principal and interest by an agency of the Federal Government or U.S. government-sponsored enterprises 53601(f)	100%	Senior debt only		5 years and 6 months	Not Applicable
Notes, participations or obligations issued or fully guaranteed as to principal and interest by the International Bank for Reconstruction and Development, the International Finance Corporation, and/or the Inter-American Development Bank 53601(g)	30%	US Dollar denominated Senior Unsecured debt only		5 years	AA by at least one rating agency*
Bonds, notes, warrants or certificates of indebtedness issued by agencies of and/or within San Bernardino County 53601(e)	10%	With approval of Treasurer		5 years	AAA by at least 2 of the 3 rating agencies*
Commercial paper of U.S. Corps with total assets in excess of \$500 MM 53635(a)(1)	40% total for all Commercial Paper	Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit		270 Days	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)*
Asset-backed Commercial Paper 53635(a)(1)	40% total for all Commercial Paper	Issuer must have program-wide credit enhancements		270 Days	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)*

Negotiable CDs issued by approved banks 53601(i)	30%	Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit		3 years and 2 months (38 months) from settlement date	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 short-term rating or long-term letter rating of A- and/or A3, or higher (if rated)*
Collateralized Certificates of Deposit 53630 et. seq. and 53601(n)	10%	As stipulated in Article 2, Section 53630 et al. of the Calif. Govt. Code		1 year from settlement date	See Section 53630 et al. of the California Government Code
Repurchase Agreements with 102% collateral 53601(j)	40%	Repurchase Agreements (contracts) must be on file		180 days	Restricted to Primary Dealers on Eligible Broker/Dealer List
Reverse Repurchase Agreements 53601(i)	10%	See Schedule II		92 days (See Schedule II)	Restricted to Primary Dealers on Eligible Broker/Dealer List
Medium Term Notes of U.S. Corporations & Depository Institutions and/or Corporate or Bank notes 53601(k)	20% (shall not exceed 15% over 13 months)	Subject to 5% overall corporate issuer limit.		3 years and 2 months (38 months) from settlement date	Rated long-term A- and/or A3, or higher by at least 2 of the 3 rating agencies*
Asset-Backed Securities 53601(o)	15%	Subject to 5% overall special purpose entity** limit		5 years	As per Section 53601(o) of the California Government Code
FDIC Insured Deposit Accounts Authorized under California Government Code 53601.8 & 53635.8	5%	Max \$100MM per selected depository institution. Max \$100MM per placement service		Term Deposits not permitted	Not Applicable
JPA Investment Pools authorized under California Government Code Section 53601(p)	5%	JPA Pool Maintain Constant Net Asset Value (NAV)		Immediate Liquidity	AAA by at least one rating agency*
Money Market mutual funds that meet requirements of California Government Code 53601(l) and 53601.6(b)	20%	Registered with SEC. No NAV adjustments. No loads. Max 10% per fund.		Immediate Liquidity	AAA by at least 2 of the 3 rating agencies*
* Standard & Poor's Ratings Services, Moody's Investors Service Inc., and Fitch Ratings Ltd. "New Issue" securities may be purchased and settled based on anticipated ratings. ** See Glossary Terms					

32.0 REVERSE REPO AND SECURITIES LENDING AGREEMENTS (SCHEDULE II)

POLICY STATEMENT ON REVERSE REPURCHASE AGREEMENTS AND SECURITIES LENDING AGREEMENTS

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

1. The total of Reverse Repurchase Agreement and Securities Lending Agreement transactions shall not exceed 10 percent of the base value of the portfolio.
2. The term of such agreements shall not exceed 92 calendar days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using such an agreement and the final maturity date of the same security.
3. All loaned securities subject to Reverse Repurchase Agreements or Securities Lending Agreements shall be properly flagged and immediately accounted for in the Treasurer's financial system.
4. Investments purchased from the loaned proceeds of the Reverse Repurchase Agreement shall have maturities not exceeding the due date for repayment of the Reverse Repurchase Agreement transaction.
5. Only U.S. Treasury Notes and Federal Agency securities owned, fully paid for, and held in the Treasurer's portfolio for a minimum of 30 days can be subject to Reverse Repurchase Agreement and Securities Lending Agreement transactions.
6. Reverse Repurchase Agreements and Securities Lending Agreements shall only be placed on portfolio securities that are intended to be held to maturity, have been fully paid for, and have been held in the portfolio for a minimum of 30 days.
7. Reverse Repurchase Agreements and Securities Lending Agreements shall only be made with primary dealers of the Federal Reserve Bank of New York.
8. A contractual agreement must be in place prior to entering into a Reverse Repurchase Agreement or Securities Lending Agreement with any authorized primary dealer.
9. Reverse Repurchase Agreement and Securities Lending Agreement transactions shall have the approval of the County Treasurer.

33.0 COLLATERALIZED CERTIFICATES OF DEPOSIT (SCHEDULE III)

POLICY CRITERIA FOR COLLATERALIZED CERTIFICATE OF DEPOSITS

1. The bank must provide us with an executed copy of the authorization for deposit of moneys.
2. The money-market yield on the certificate of deposit must be competitive with negotiable CD's offered by banks on the County's Approved Issuer List in the maturities desired by the County. The County Treasurer's Office reserves the right to negotiate higher yields based on market conditions at the time.
3. Collateral Requirements: the County will only accept U.S. Treasury and/or Agency securities as collateral. The collateral must be held by a separate custodial bank in an account in the name of San Bernardino County. The County must have perfected interest in the collateral. The maximum maturity of securities is 5 years, the collateral must be priced at 110% of the face value of the CD on a daily basis, and the minimum face value per pledged security is \$5 million. The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. Additionally, a statement of the collateral shall be provided on a monthly basis from the custodial bank.
4. The County Treasurer must be given a current audited financial statement for the financial year just ended. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.
5. The County Treasurer must receive a certificate of deposit, which specifically expresses the terms governing the transaction, such as: deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc.).
6. Notwithstanding the above, the certificate of deposit must meet the requirements of Fitch Ratings Ltd. for the County to maintain its AAA pool rating. These requirements typically include an A-1/P-1 and/or F1 short-term rating. The County may rely on credit ratings of Standard & Poor's, Moody's and Fitch to determine the creditworthiness of an institution and/or may supplement this research with its own financial analysis.
7. Deposits will only be made with banks and savings and loans having branch office locations within San Bernardino County.

34.0 SELECTION OF BROKER/DEALERS (SCHEDULE IV)

POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS

1. All financial institutions wishing to be considered for San Bernardino County's Broker/Dealer List must confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered and qualify under Rule 15C3-1 (uniform net capital rule) with the Securities & Exchange Commission (SEC), and possess all other required licenses.
2. The County Treasurer's intent is to enter into a long-term relationship. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.
3. The firm must acknowledge receipt of the County Treasurer's written IPS guidelines.
4. It is important that the firm provide related services that will enhance the account relationship, which could include:
 - (a) An active secondary market for its securities.
 - (b) Internal credit research analysis on commercial paper, bankers' acceptances and other securities it offers for sale.
 - (c) Be willing to purchase securities from our portfolio.
 - (d) Be capable of providing market analysis, economic projections, and newsletters.
5. The firm must provide the County with annual financial statements. All firms with whom the County does business must have a stable financial condition.
6. The County Treasury is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's custodial bank.
7. Without exception, all transactions are to be conducted on a delivery vs. payment (DVP) basis or, for repurchase agreements, on a tri-party basis.
8. The broker/dealer must have been in operation for more than five (5) years.
9. Firms must have adequate financial strength and capital to support the level of trading that is approved. Adequate financial strength will be assessed by a review of the balance sheet and income statement of the dealer. Broker/dealers with less than \$10 million of net capital may be approved for trading that is limited in maturity or amount or may not be approved for extended settlement trades.
10. Repurchase agreement counterparties will be limited to primary government securities dealers who report to the Federal Reserve Bank of New York.

35.0 GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

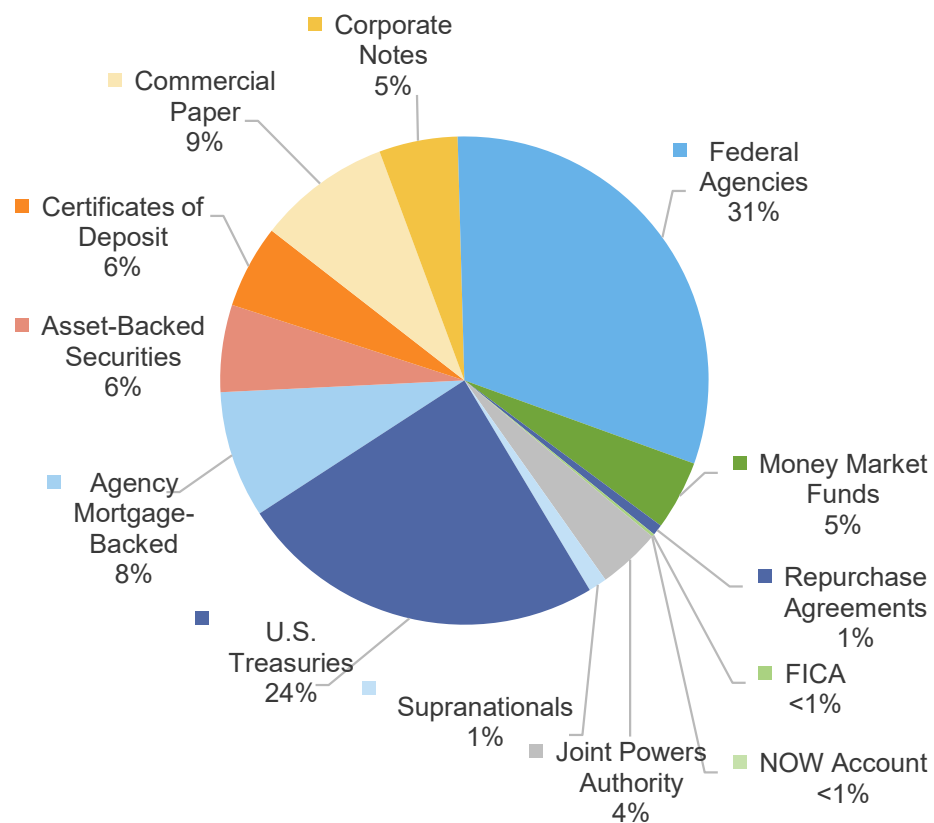
San Bernardino County Pool Summary

(as of 4/30/2023)

Security Type	Par Value	Amortized Cost	Market Value	Market % of Portfolio	Yield to Maturity at Cost	Wtd. Avg. Maturity	Effective Duration
Agency Mortgage-Backed	1,219,806,513	1,213,494,058	1,178,217,258	8.4%	2.96%	990	2.55
Asset-Backed Securities	813,948,240	813,838,747	808,233,378	5.8%	3.88%	1249	1.53
Bank Notes	0	0	0	-	-	-	-
Certificates of Deposit	775,000,000	775,000,000	773,571,058	5.5%	4.31%	119	0.15
Collateralized CD	0	0	0	-	-	-	-
Commercial Paper	1,252,600,000	1,239,185,905	1,238,391,830	8.8%	5.10%	76	0.23
Corporate Notes	744,957,000	744,846,203	728,981,701	5.2%	2.46%	602	1.39
Federal Agencies	4,473,282,000	4,401,646,890	4,340,606,707	31.0%	3.00%	482	1.28
Money Market Funds	646,000,000	646,000,000	646,000,000	4.6%	4.73%	1	0.00
Municipal Debt	0	0	0	-	-	-	-
Repurchase Agreements	100,000,000	100,000,000	99,998,001	0.7%	4.79%	1	0.01
Bank Deposit Account	25,000,000	25,000,000	25,000,000	0.2%	4.85%	1	0.00
NOW Account	1,000,000	1,000,000	1,000,000	0.0%	2.97%	1	0.00
Joint Powers Authority	583,000,000	583,000,000	583,000,000	4.2%	5.00%	1	0.00
Supranationals	173,000,000	173,020,569	170,717,831	1.2%	2.22%	354	0.89
U.S. Treasuries	3,600,000,000	3,496,158,081	3,423,769,533	24.4%	2.52%	633	1.71
Total Securities	14,407,593,752	14,212,190,453	14,017,487,297	100.0%	3.33%	508	1.24
Cash Balance	99,011,992	99,011,992	99,011,992				
Total Investments	14,506,605,745	14,311,202,446	14,116,499,289				
Accrued Interest		59,343,117	59,343,117				
Total Portfolio	14,506,605,745	14,370,545,563	14,175,842,407				

1. Yield for the money market funds is a weighted average of the month-end yields for the Federated, Goldman, Fidelity, and Morgan Stanley money market funds.
2. Yield for the Joint Powers Authority is a weighted average of the month-end yields for the CAMP and CalTRUST Liquidity funds.
3. Statistics for the total portfolio include money market funds.
4. Market prices are derived from closing bid prices as of the last business day of the month as supplied by F.T. Interactive Data, Bloomberg, or Telerate.
5. Percentages may not sum to 100% based on rounding differences.

Sector Distribution

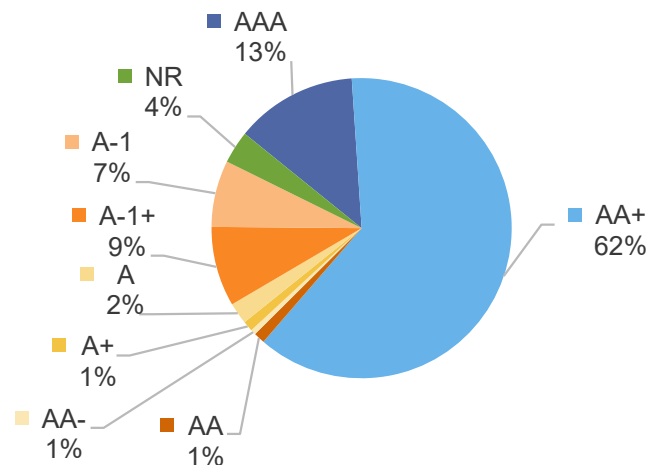


Sector	Market Value
Agency Mortgage-Backed	\$1,178,217,258
Asset-Backed Securities	\$808,233,378
Bank Notes	\$0
Certificates of Deposit	\$773,571,058
Collateralized CD	\$0
Commercial Paper	\$1,238,391,830
Corporate Notes	\$728,981,701
Federal Agencies	\$4,340,606,707
Money Market Funds	\$646,000,000
Municipal Debt	\$0
Repurchase Agreements	\$99,998,001
FICA	\$25,000,000
NOW Account	\$1,000,000
Joint Powers Authority	\$583,000,000
Supranationals	\$170,717,831
U.S. Treasuries	\$3,423,769,533

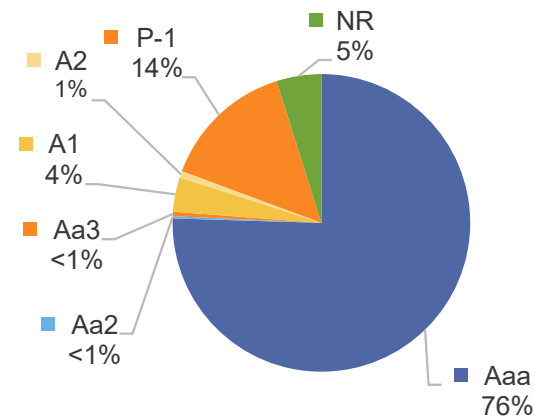
Percentages may not sum to 100% due to rounding.

Credit Quality Distribution

S&P RATINGS



MOODY'S RATINGS

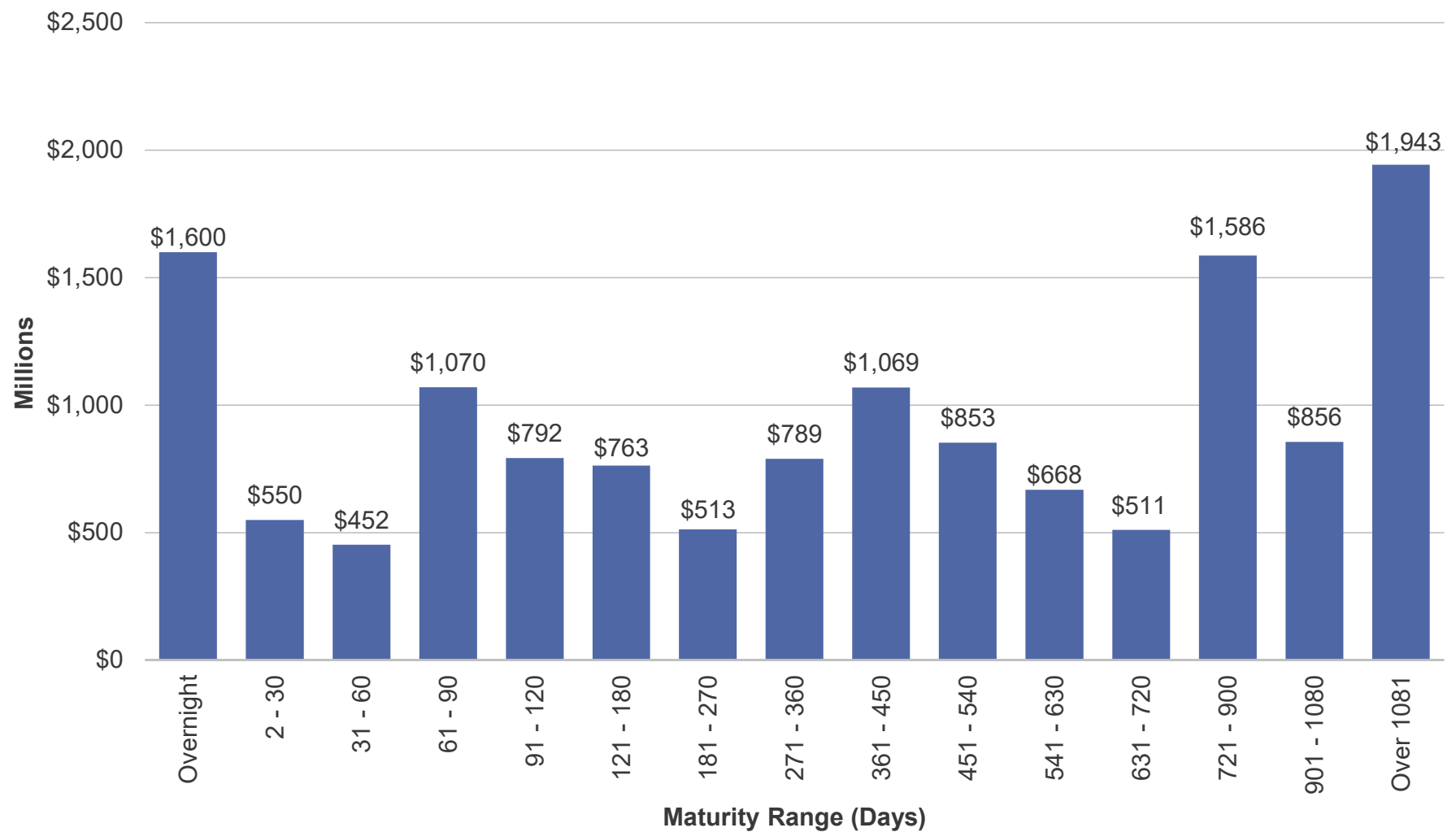


Credit Rating	Market Value
A-1+ (Short-Term)	\$1,203,314,643
A-1 (Short-Term)	\$1,006,877,170
AAA (Long-Term)	\$1,842,052,536
AA+ (Long-Term)	\$8,744,364,573
AA (Long-Term)	\$168,077,265
AA- (Long-Term)	\$79,046,585
A+ (Long-Term)	\$157,140,600
A (Long-Term)	\$324,717,251
Not Rated	\$491,896,674

Credit Rating	Market Value
P-1 (Short-Term)	\$2,023,947,739
Aaa (Long-Term)	\$10,581,699,725
Aa1 (Long-Term)	\$0
Aa2 (Long-Term)	\$34,848,550
Aa3 (Long-Term)	\$64,172,200
A1 (Long-Term)	\$524,873,754
A2 (Long-Term)	\$105,087,197
A3 (Long-Term)	\$0
Not Rated	\$682,858,132

Percentages may not sum to 100% due to rounding.

Maturity Distribution



Maturity range assumes no securities are called.

San Bernardino County Pool Portfolio Yield Summary

Month	Yield to Maturity
	At Cost
April 2022	0.99%
May 2022	1.17%
June 2022	1.46%
July 2022	1.65%
August 2022	1.89%
September 2022	2.08%
October 2022	2.36%
November 2022	2.88%
December 2022	2.88%
January 2023	2.96%
February 2023	3.02%
March 2023	3.12%
April 2023	3.33%

1. Gross yields not including non-earning assets (compensating bank balances) or administrative costs for management of the pool.
2. All historical yields restated to include money market funds.

Disclaimer

Investment advisory services are provided by PFM Asset Management LLC (“PFMAM”), an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. (“USBAM”). USBAM is a subsidiary of U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM. The information contained is not an offer to purchase or sell any securities. Additional applicable regulatory information is available upon request.

For more information regarding PFMAM’s services please visit www.pfmam.com.



APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2023 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2023 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2023 Bonds (the “Securities”). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com which is not incorporated herein by reference.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities 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 the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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.

9. DTC may discontinue providing its services as depository with respect to the Securities 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, Security certificates are required to be printed and delivered.

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

11. The information in this appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



CALIFORNIA
ENDORSEMENT TO
MUNICIPAL BOND
INSURANCE POLICY
NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer



ACCREDITED VALUE

ENDORSEMENT TO

**MUNICIPAL BOND
INSURANCE POLICY**

NO.

Re: Bonds Maturing on

It is further understood that with respect to the Bonds maturing on the dates referenced above, the amount insured under this Policy is that portion of the accreted value (as set forth in the bond documents under which the Bonds are issued) of said Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer

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APPENDIX H

TABLE OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS

Date	Insured Capital Appreciation Bonds due 08/01/2028 6.87%	Insured Capital Appreciation Bonds due 08/01/2029 6.87%	Insured Capital Appreciation Bonds due 08/01/2030 6.87%	Insured Capital Appreciation Bonds due 08/01/2031 6.87%	Insured Capital Appreciation Bonds due 08/01/2032 6.87%	Insured Capital Appreciation Bonds due 08/01/2033 3.81%	Insured Capital Appreciation Bonds due 08/01/2034 3.94%
7/11/2023	\$3,553.55	\$3,321.45	\$3,104.50	\$2,901.70	\$2,712.20	\$3,420.95	\$3,248.10
8/1/2023	3,566.90	3,333.95	3,116.15	2,912.65	2,722.40	3,428.15	3,255.15
2/1/2024	3,689.45	3,448.45	3,223.20	3,012.70	2,815.90	3,493.45	3,319.30
8/1/2024	3,816.15	3,566.90	3,333.95	3,116.15	2,912.65	3,560.00	3,384.70
2/1/2025	3,947.25	3,689.45	3,448.45	3,223.20	3,012.70	3,627.80	3,451.35
8/1/2025	4,082.85	3,816.15	3,566.90	3,333.95	3,116.15	3,696.90	3,519.35
2/1/2026	4,223.10	3,947.25	3,689.45	3,448.45	3,223.20	3,767.35	3,588.70
8/1/2026	4,368.15	4,082.85	3,816.15	3,566.90	3,333.95	3,839.10	3,659.40
2/1/2027	4,518.20	4,223.10	3,947.25	3,689.45	3,448.45	3,912.25	3,731.50
8/1/2027	4,673.40	4,368.15	4,082.85	3,816.15	3,566.90	3,986.75	3,805.00
2/1/2028	4,833.95	4,518.20	4,223.10	3,947.25	3,689.45	4,062.70	3,879.95
8/1/2028	5,000.00	4,673.40	4,368.15	4,082.85	3,816.15	4,140.10	3,956.40
2/1/2029	-	4,833.95	4,518.20	4,223.10	3,947.25	4,219.00	4,034.30
8/1/2029	-	5,000.00	4,673.40	4,368.15	4,082.85	4,299.35	4,113.80
2/1/2030	-	-	4,833.95	4,518.20	4,223.10	4,381.25	4,194.85
8/1/2030	-	-	5,000.00	4,673.40	4,368.15	4,464.70	4,277.50
2/1/2031	-	-	-	4,833.95	4,518.20	4,549.80	4,361.75
8/1/2031	-	-	-	5,000.00	4,673.40	4,636.45	4,447.70
2/1/2032	-	-	-	-	4,833.95	4,724.80	4,535.30
8/1/2032	-	-	-	-	5,000.00	4,814.80	4,624.65
2/1/2033	-	-	-	-	-	4,906.50	4,715.75
8/1/2033	-	-	-	-	-	5,000.00	4,808.65
2/1/2034	-	-	-	-	-	-	4,903.40
8/1/2034	-	-	-	-	-	-	5,000.00
2/1/2035	-	-	-	-	-	-	-
8/1/2035	-	-	-	-	-	-	-
2/1/2036	-	-	-	-	-	-	-
8/1/2036	-	-	-	-	-	-	-
2/1/2037	-	-	-	-	-	-	-
8/1/2037	-	-	-	-	-	-	-
2/1/2038	-	-	-	-	-	-	-
8/1/2038	-	-	-	-	-	-	-
2/1/2039	-	-	-	-	-	-	-
8/1/2039	-	-	-	-	-	-	-
2/1/2040	-	-	-	-	-	-	-
8/1/2040	-	-	-	-	-	-	-
2/1/2041	-	-	-	-	-	-	-
8/1/2041	-	-	-	-	-	-	-
2/1/2042	-	-	-	-	-	-	-
8/1/2042	-	-	-	-	-	-	-
2/1/2043	-	-	-	-	-	-	-
8/1/2043	-	-	-	-	-	-	-
2/1/2044	-	-	-	-	-	-	-
8/1/2044	-	-	-	-	-	-	-
2/1/2045	-	-	-	-	-	-	-
8/1/2045	-	-	-	-	-	-	-
2/1/2046	-	-	-	-	-	-	-
8/1/2046	-	-	-	-	-	-	-
2/1/2047	-	-	-	-	-	-	-
8/1/2047	-	-	-	-	-	-	-

Date	Insured Capital Appreciation Bonds due 08/01/2035 4.15%	Insured Capital Appreciation Bonds due 08/01/2036 4.3%	Insured Capital Appreciation Bonds due 08/01/2037 4.49%	Insured Capital Appreciation Bonds due 08/01/2038 4.58%	Insured Capital Appreciation Bonds due 08/01/2039 4.65%	Insured Capital Appreciation Bonds due 08/01/2040 4.69%	Insured Capital Appreciation Bonds due 08/01/2041 4.76%
7/11/2023	\$3,047.25	\$2,869.10	\$2,678.65	\$2,528.60	\$2,390.25	\$2,267.70	\$2,138.40
8/1/2023	3,054.25	2,875.85	2,685.25	2,534.95	2,396.35	2,273.55	2,144.00
2/1/2024	3,117.60	2,937.70	2,745.55	2,593.00	2,452.05	2,326.85	2,195.00
8/1/2024	3,182.30	3,000.85	2,807.20	2,652.40	2,509.05	2,381.40	2,247.25
2/1/2025	3,248.35	3,065.40	2,870.20	2,713.15	2,567.40	2,437.25	2,300.75
8/1/2025	3,315.75	3,131.30	2,934.65	2,775.25	2,627.10	2,494.40	2,355.50
2/1/2026	3,384.55	3,198.60	3,000.55	2,838.80	2,688.20	2,552.90	2,411.55
8/1/2026	3,454.75	3,267.40	3,067.90	2,903.80	2,750.70	2,612.75	2,468.95
2/1/2027	3,526.45	3,337.65	3,136.75	2,970.30	2,814.65	2,674.05	2,527.70
8/1/2027	3,599.60	3,409.40	3,207.20	3,038.35	2,880.10	2,736.75	2,587.85
2/1/2028	3,674.30	3,482.70	3,279.20	3,107.90	2,947.05	2,800.90	2,649.45
8/1/2028	3,750.55	3,557.55	3,352.80	3,179.10	3,015.55	2,866.60	2,712.50
2/1/2029	3,828.40	3,634.05	3,428.10	3,251.90	3,085.65	2,933.80	2,777.10
8/1/2029	3,907.80	3,712.20	3,505.05	3,326.35	3,157.40	3,002.60	2,843.15
2/1/2030	3,988.90	3,792.00	3,583.75	3,402.55	3,230.80	3,073.05	2,910.85
8/1/2030	4,071.70	3,873.55	3,664.20	3,480.45	3,305.95	3,145.10	2,980.10
2/1/2031	4,156.15	3,956.80	3,746.45	3,560.15	3,382.80	3,218.85	3,051.05
8/1/2031	4,242.40	4,041.90	3,830.55	3,641.70	3,461.45	3,294.35	3,123.65
2/1/2032	4,330.45	4,128.80	3,916.55	3,725.10	3,541.95	3,371.60	3,198.00
8/1/2032	4,420.30	4,217.55	4,004.50	3,810.40	3,624.30	3,450.65	3,274.10
2/1/2033	4,512.00	4,308.25	4,094.40	3,897.65	3,708.55	3,531.55	3,352.05
8/1/2033	4,605.65	4,400.85	4,186.30	3,986.90	3,794.80	3,614.40	3,431.80
2/1/2034	4,701.20	4,495.50	4,280.30	4,078.20	3,883.00	3,699.15	3,513.50
8/1/2034	4,798.75	4,592.15	4,376.40	4,171.60	3,973.30	3,785.90	3,597.10
2/1/2035	4,898.35	4,690.85	4,474.65	4,267.10	4,065.65	3,874.65	3,682.75
8/1/2035	5,000.00	4,791.70	4,575.10	4,364.85	4,160.20	3,965.55	3,770.40
2/1/2036	-	4,894.75	4,677.80	4,464.80	4,256.90	4,058.50	3,860.10
8/1/2036	-	5,000.00	4,782.80	4,567.05	4,355.90	4,153.70	3,952.00
2/1/2037	-	-	4,890.20	4,671.65	4,457.15	4,251.10	4,046.05
8/1/2037	-	-	5,000.00	4,778.60	4,560.80	4,350.80	4,142.35
2/1/2038	-	-	-	4,888.05	4,666.85	4,452.80	4,240.95
8/1/2038	-	-	-	5,000.00	4,775.35	4,557.25	4,341.85
2/1/2039	-	-	-	-	4,886.35	4,664.10	4,445.20
8/1/2039	-	-	-	-	5,000.00	4,773.45	4,551.00
2/1/2040	-	-	-	-	-	4,885.40	4,659.30
8/1/2040	-	-	-	-	-	5,000.00	4,770.20
2/1/2041	-	-	-	-	-	-	4,883.75
8/1/2041	-	-	-	-	-	-	5,000.00
2/1/2042	-	-	-	-	-	-	-
8/1/2042	-	-	-	-	-	-	-
2/1/2043	-	-	-	-	-	-	-
8/1/2043	-	-	-	-	-	-	-
2/1/2044	-	-	-	-	-	-	-
8/1/2044	-	-	-	-	-	-	-
2/1/2045	-	-	-	-	-	-	-
8/1/2045	-	-	-	-	-	-	-
2/1/2046	-	-	-	-	-	-	-
8/1/2046	-	-	-	-	-	-	-
2/1/2047	-	-	-	-	-	-	-
8/1/2047	-	-	-	-	-	-	-

Date	Insured Capital Appreciation Bonds due 08/01/2042 4.79%	Insured Capital Appreciation Bonds due 08/01/2043 4.81%	Insured Capital Appreciation Bonds due 08/01/2044 4.85%	Insured Capital Appreciation Bonds due 08/01/2045 4.87%	Insured Capital Appreciation Bonds due 08/01/2046 4.92%	Insured Capital Appreciation Bonds due 08/01/2047 4.95%
7/11/2023	\$2,028.75	\$1,927.40	\$1,822.90	\$1,730.10	\$1,630.40	\$1,542.15
8/1/2023	2,034.10	1,932.50	1,827.75	1,734.75	1,634.80	1,546.35
2/1/2024	2,082.80	1,978.95	1,872.05	1,777.00	1,675.00	1,584.60
8/1/2024	2,132.70	2,026.55	1,917.45	1,820.25	1,716.20	1,623.80
2/1/2025	2,183.80	2,075.30	1,963.95	1,864.60	1,758.45	1,664.00
8/1/2025	2,236.10	2,125.20	2,011.60	1,910.00	1,801.70	1,705.20
2/1/2026	2,289.65	2,176.35	2,060.35	1,956.50	1,846.00	1,747.40
8/1/2026	2,344.45	2,228.65	2,110.35	2,004.15	1,891.45	1,790.65
2/1/2027	2,400.60	2,282.25	2,161.50	2,052.95	1,937.95	1,834.95
8/1/2027	2,458.10	2,337.15	2,213.90	2,102.90	1,985.65	1,880.40
2/1/2028	2,517.00	2,393.35	2,267.60	2,154.15	2,034.50	1,926.95
8/1/2028	2,577.30	2,450.95	2,322.60	2,206.60	2,084.55	1,974.60
2/1/2029	2,639.00	2,509.85	2,378.90	2,260.30	2,135.80	2,023.50
8/1/2029	2,702.20	2,570.25	2,436.60	2,315.35	2,188.35	2,073.55
2/1/2030	2,766.90	2,632.05	2,495.70	2,371.75	2,242.20	2,124.90
8/1/2030	2,833.20	2,695.35	2,556.20	2,429.50	2,297.35	2,177.50
2/1/2031	2,901.05	2,760.20	2,618.20	2,488.65	2,353.85	2,231.40
8/1/2031	2,970.55	2,826.55	2,681.70	2,549.25	2,411.75	2,286.60
2/1/2032	3,041.65	2,894.55	2,746.75	2,611.30	2,471.10	2,343.20
8/1/2032	3,114.50	2,964.15	2,813.35	2,674.90	2,531.90	2,401.20
2/1/2033	3,189.10	3,035.45	2,881.55	2,740.05	2,594.15	2,460.65
8/1/2033	3,265.50	3,108.45	2,951.45	2,806.75	2,658.00	2,521.55
2/1/2034	3,343.70	3,183.20	3,023.00	2,875.10	2,723.35	2,583.95
8/1/2034	3,423.80	3,259.75	3,096.35	2,945.10	2,790.35	2,647.90
2/1/2035	3,505.80	3,338.15	3,171.40	3,016.85	2,859.00	2,713.45
8/1/2035	3,589.75	3,418.45	3,248.30	3,090.30	2,929.35	2,780.60
2/1/2036	3,675.75	3,500.65	3,327.10	3,165.55	3,001.40	2,849.40
8/1/2036	3,763.75	3,584.85	3,407.80	3,242.60	3,075.25	2,919.95
2/1/2037	3,853.90	3,671.05	3,490.40	3,321.60	3,150.90	2,992.20
8/1/2037	3,946.20	3,759.35	3,575.05	3,402.45	3,228.40	3,066.25
2/1/2038	4,040.70	3,849.75	3,661.75	3,485.30	3,307.85	3,142.15
8/1/2038	4,137.50	3,942.35	3,750.55	3,570.20	3,389.20	3,219.90
2/1/2039	4,236.60	4,037.15	3,841.50	3,657.10	3,472.55	3,299.60
8/1/2039	4,338.05	4,134.25	3,934.65	3,746.15	3,558.00	3,381.25
2/1/2040	4,441.95	4,233.70	4,030.10	3,837.40	3,645.55	3,464.95
8/1/2040	4,548.35	4,335.50	4,127.80	3,930.80	3,735.20	3,550.70
2/1/2041	4,657.25	4,439.80	4,227.90	4,026.55	3,827.10	3,638.60
8/1/2041	4,768.80	4,546.55	4,330.45	4,124.60	3,921.25	3,728.65
2/1/2042	4,883.05	4,655.90	4,435.45	4,225.00	4,017.70	3,820.95
8/1/2042	5,000.00	4,767.90	4,543.00	4,327.90	4,116.55	3,915.50
2/1/2043	-	4,882.55	4,653.20	4,433.30	4,217.80	4,012.40
8/1/2043	-	5,000.00	4,766.00	4,541.25	4,321.55	4,111.70
2/1/2044	-	-	4,881.60	4,651.80	4,427.90	4,213.50
8/1/2044	-	-	5,000.00	4,765.10	4,536.80	4,317.75
2/1/2045	-	-	-	4,881.10	4,648.40	4,424.65
8/1/2045	-	-	-	5,000.00	4,762.75	4,534.15
2/1/2046	-	-	-	-	4,879.95	4,646.35
8/1/2046	-	-	-	-	5,000.00	4,761.35
2/1/2047	-	-	-	-	-	4,879.20
8/1/2047	-	-	-	-	-	5,000.00

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