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

PRELIMINARY OFFICIAL STATEMENT DATED MAY 9, 2019

NEW ISSUE—FULL BOOK-ENTRY **RATING: "Aa3" (Moody's)**
See "MISCELLANEOUS—Rating" herein

STATE OF CALIFORNIA **COUNTY OF SAN BERNARDINO**

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

$10,000,000*
UPLAND UNIFIED SCHOOL DISTRICT
(SAN BERNARDINO COUNTY, CALIFORNIA)
ELECTION OF 2008 GENERAL OBLIGATION BONDS, SERIES E

Dated: Date of Delivery **Due: As shown on the following pages**

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

The $10,000,000* Upland Unified School District (San Bernardino County, California) Election of 2008 General Obligation Bonds, Series E (the "Series E Bonds") were authorized at an election of the registered voters of the Upland Unified School District (the "District") held on February 5, 2008, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed $103,000,000 principal amount of general obligation bonds of the District (the "2008 Authorization"). The Series E Bonds represent the fifth series of bonds issued under the 2008 Authorization and are being issued to (i) finance the construction of improvements to certain of the District's schools, (ii) pay the costs of issuing the Series E Bonds, and (iii) pay a portion of the interest due on the Series E Bonds through February 1, 2021*, as described herein. See "INTRODUCTION—Purpose of Issue" and "THE SERIES E BONDS—Application and Investment of Series E Bond Proceeds and Tax Revenues" herein.

The Series E Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property within the District and from other amounts on deposit in the Debt Service Fund. The Board of Supervisors of San Bernardino County is empowered and is obligated to levy *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of interest on and principal of the Series E Bonds when due. The District has other outstanding general obligation bonds which are secured by and payable from *ad valorem* taxes levied on taxable property within the District. See "SECURITY FOR THE SERIES E BONDS" and "TAX BASE FOR REPAYMENT OF SERIES E BONDS—*Ad Valorem* Property Taxation" herein.

The Series E Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Payments of principal of and interest on the Series E Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent, authenticating agent and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (as defined herein) who will remit such payments to the beneficial owners of the Series E Bonds. See "THE SERIES E BONDS—Book-Entry Only System" herein.

The Series E Bonds will be dated their date of delivery. Interest on the Series E Bonds accrues from their dated date and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2019.

The Series E Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES E BONDS—Redemption of Series E Bonds" herein.

THE SERIES E BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT PAYABLE SOLELY FROM AMOUNTS IN THE DEBT SERVICE FUND CONSISTING OF CAPITALIZED INTEREST FUNDED WITH SERIES E BOND PROCEEDS AND *AD VALOREM* PROPERTY TAXES LEVIED AND COLLECTED BY THE COUNTY ON TAXABLE PROPERTY WITHIN THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE SERIES E BONDS.

MATURITY SCHEDULE
(See Following Page)

The Series E Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel. Certain matters are being passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP, Irvine, California. The Series E Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about May 29, 2019.

RAYMOND JAMES

Dated: May ___, 2019

* *Preliminary; subject to change.*

MATURITY SCHEDULE

BASE CUSIP[†] NO. 91537P

$10,000,000[*]
UPLAND UNIFIED SCHOOL DISTRICT
(SAN BERNARDINO COUNTY, CALIFORNIA)
ELECTION OF 2008 GENERAL OBLIGATION BONDS, SERIES E

Maturity (August 1)	*Principal Amount*	*Interest Rate*	*Yield*	*CUSIP*[†]

$_________ _____% Term Bonds due August 1, _____, Yield: ____%, CUSIP[†] ___

[†] *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such numbers.*

[*] *Preliminary, subject to change.*

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

This Official Statement is not to be construed as a contract with the purchasers of the Series E Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

"The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information."

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described herein since the date hereof. This Official Statement is being submitted in connection with the sale of the Series E Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

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

The achievement of certain results or other expectations contained in such forward-looking statements involves 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. While the District has agreed to provide certain on-going financial and operating data on an annual basis, it does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which statements are based change. See "CONTINUING DISCLOSURE" and Appendix C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

All information material to the making of an informed investment decision with respect to the Series E Bonds is contained in this Official Statement. While the District maintains an internet website for various purposes, none of the information on its website is incorporated by reference into this Official Statement. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

WITH RESPECT TO THIS OFFERING, THE UNDERWRITER MAY ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES E BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES E BONDS DESCRIBED HEREIN TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED IN THIS OFFICIAL STATEMENT AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES E BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

UPLAND UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Jack Young, *President*
Linda Angona, *Vice President*
Wes Fifield, *Clerk*
Robert Bennett, *Member*
Mary Locke, *Member*

DISTRICT ADMINISTRATION

Dr. Nancy Kelly, *Superintendent*
[Vacant], *Assistant Superintendent of Business Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel
Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Financial Advisor
Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

Underwriter
Raymond James & Associates, Inc.
Los Angeles, California

Underwriter's Counsel
Orrick, Herrington & Sutcliffe LLP
Irvine, California

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

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$10,000,000*
UPLAND UNIFIED SCHOOL DISTRICT
(SAN BERNARDINO COUNTY, CALIFORNIA)
ELECTION OF 2008 GENERAL OBLIGATION BONDS, SERIES E

INTRODUCTION

This Official Statement (which includes the cover page, the Table of Contents and the Appendices attached hereto) is furnished by the Upland Unified School District (the "District"), located in San Bernardino County, California, to provide information concerning the $10,000,000* Upland Unified School District (San Bernardino County, California) Election of 2008 General Obligation Bonds, Series E (the "Series E Bonds").

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

The District

The District was founded in 1907 as an elementary school district and unified with the Upland High School as a K-12 district on July 1, 1987. The District provides kindergarten through twelfth grade educational services to an area of approximately 15 square miles in the County of San Bernardino (the "County"). The District is located in the western portion of the County and serves most of the City of Upland, and a small portion of adjacent areas. The District operates one high school, one alternative high school, one adult school, two junior high schools and ten elementary schools. The total enrollment in the District during fiscal year 2018-19 is approximately 10,693 students. One charter school operates within the District's boundaries.

The District is governed by a five-member Board of Education (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Board appointed Superintendent who is responsible for the day-to-day operations and the supervision of other key personnel. See "THE DISTRICT."

Purpose of Issue

The Series E Bonds were approved by the voters of the District at the February 5, 2008 election. At the election, the voters approved the issuance of $103,000,000 of general obligation bonds (the "2008 Authorization"). The Series E Bonds represent the fifth series to be issued pursuant to the 2008 Authorization. The four series of bonds previously issued pursuant to the 2008 Authorization totaled $71,883,362 in aggregate principal amount. Proceeds from the Series E Bonds will be used to (i) finance the acquisition and construction of improvements to and equipment for certain of the District's schools (the "Project"), (ii) pay the costs of issuing the Series E Bonds and (iii) pay a portion of the interest due on the Series E Bonds through February 1, 2021.* See "THE SERIES E BONDS—Application and Investment of Series E Bond Proceeds and Tax Revenues" and "Sources and Uses of Funds" herein.

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* *Preliminary; subject to change.*

Sources of Payment for the Series E Bonds

Ad Valorem Taxes. The Series E Bonds are general obligation bonds of the District. The Board of Supervisors of the County of San Bernardino has the power and is obligated annually to levy *ad valorem* taxes for the payment of the Series E Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE SERIES E BONDS" herein.

THE SERIES E BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT PAYABLE SOLELY FROM AMOUNTS IN THE DEBT SERVICE FUND CONSISTING OF CAPITALIZED INTEREST FUNDED WITH SERIES E BOND PROCEEDS AND AD VALOREM PROPERTY TAXES LEVIED AND COLLECTED BY THE COUNTY ON TAXABLE PROPERTY WITHIN THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE SERIES E BONDS.

Description of the Series E Bonds

Maturity Dates. The Series E Bonds will mature on August 1 in the years and in the principal amounts set forth on the page following the cover page of this Official Statement.

Payment Dates. The Series E Bonds will be dated their date of delivery. Interest on the Series E Bonds accrues from their dated date at the rates set forth on the page following the cover page of this Official Statement, and is payable semiannually on each February 1 and August 1, commencing August 1, 2019 (each, a "Bond Payment Date"). The principal amount of the Series E Bonds is payable at maturity or at earlier redemption upon surrender of the applicable Series E Bond for payment.

Redemption. The Series E Bonds are subject to redemption prior to maturity. See "THE SERIES E BONDS—Redemption of Series E Bonds" herein.

Registration. The Series E Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Series E Bonds (the "Beneficial Owners") in authorized denominations, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through entities eligible to participate in DTC's book-entry system ("DTC Participants") as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series E Bonds. See "THE SERIES E BONDS—Book-Entry Only System" and Appendix E—"BOOK-ENTRY ONLY SYSTEM" herein.

Denominations. The Series E Bonds will be issued and beneficial ownership interests may be purchased by Beneficial Owners in denominations of $5,000 or any integral multiple thereof.

Authority for Issuance of the Series E Bonds

The Series E Bonds are issued pursuant to certain provisions of the State of California Government Code, as well as other applicable law, and pursuant to resolutions adopted by the Board of Education of the District and the Board of Supervisors of the County of San Bernardino. See "THE SERIES E BONDS—Authority for Issuance" herein.

Offering and Delivery of the Series E Bonds

The Series E Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Series E Bonds will be available for delivery through the facilities of DTC in New York, New York on or about May 29, 2019.

Continuing Disclosure

The District will enter into a Continuing Disclosure Certificate in connection with the Series E Bonds in which it will covenant for the benefit of the Underwriter, the bondholders and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission. The specific nature of the information to be made available and the enumerated events are summarized below under the caption "CONTINUING DISCLOSURE" and set forth in APPENDIX C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Forward Looking Statements

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

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

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Series E Bonds. Isom Advisors, a Division of Urban Futures, Inc., Walnut Creek, California is serving as municipal advisor to the District in connection with the issuance of the Series E Bonds. Orrick, Herrington & Sutcliffe LLP is serving as counsel for the Underwriter in connection with the Series E Bonds. The fees paid to these consultants are contingent upon the sale and delivery of the Series E Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Series E Bonds are available from the Upland Unified School District, 390 North Euclid Avenue, Upland, California 91786, telephone: (909) 985-1864. The District may impose a charge for copying, mailing and handling.

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

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

The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness 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 E Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

All terms used herein and not otherwise defined shall have the meanings given such terms in the Bond Resolution (as defined below).

THE SERIES E BONDS

Authority for Issuance

The Series E Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code commencing with Section 53506 (the "Act") and other applicable law, and pursuant to a resolution adopted by the Board of Education of the District on February 26, 2019 (the "Bond Resolution") and a resolution adopted by the Board of Supervisors of the County on July 23, 2002. Pursuant to its resolution and applicable laws, the Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes for the payment of the principal of and interest on the Series E Bonds. See "SECURITY FOR THE SERIES E BONDS" herein.

Pursuant to the 2008 Authorization, the District is authorized to issue $103,000,000 of general obligation bonds. Following the issuance of the Series E Bonds, $21,116,638* of the 2008 Authorization will remain unissued.

Security and Sources of Payment

The Series E Bonds are general obligation bonds of the District payable solely from amounts in the Debt Service Fund (as defined herein) established under the Bond Resolution consisting of *ad valorem* property taxes and proceeds of the Series E Bonds deposited therein. Such taxes will be levied annually by the County in addition to all other taxes during the period that the Series E Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Series E Bonds when due. See "SECURITY FOR THE SERIES E BONDS" and "TAX BASE FOR REPAYMENT OF THE SERIES E BONDS." Such taxes, when collected, will be placed by the County in the Debt Service Fund, which fund is segregated and maintained by the County. The Debt Service Fund is irrevocably pledged for the payment of principal of and interest on the

* *Preliminary, subject to change.*

Series E Bonds when due. Although the County is obligated to levy *ad valorem* taxes for the payment of the Series E Bonds, and will maintain the Debt Service Fund pledged to the repayment of the Series E Bonds, the Series E Bonds are not a debt of the County.

Pursuant to Section 53515 of the State of California Government Code, enacted by Senate Bill 222 (Stats. 2015, Chapter 78), the Series E Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. Section 53515 provides that: (i) the lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Series E Bonds are executed and delivered, and (ii) the revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Series E Bonds as such principal and interest becomes due and payable, will be transferred to the Paying Agent. The Paying Agent will, in turn, transfer the funds to DTC, which is to distribute the principal and interest payments due on the Series E Bonds to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Series E Bonds. See "THE SERIES E BONDS—Book-Entry Only System."

Description of the Series E Bonds

The Series E Bonds will be dated their date of delivery. Interest on the Series E Bonds accrues from their dated date, and is payable semiannually on each Bond Payment Date, commencing August 1, 2019, at the annual interest rates shown on the page following the cover page of this Official Statement. The Series E Bonds are issuable in denominations of $5,000 or any integral multiple thereof. Interest will accrue on the Series E Bonds on the basis of a 360-day year comprised of twelve 30 day months.

Payment of interest on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date. For purposes of the foregoing, "Record Date" means the close of business on the fifteenth (15th) day of the month preceding each Bond Payment Date.

Paying Agent

The Bank of New York Mellon Trust Company, N.A. will act as the designated paying agent, authenticating agent and transfer agent (the "Paying Agent") for the Series E Bonds.

If the Paying Agent resigns or is removed by the District, a successor Paying Agent will be appointed by the District. Any successor Paying Agent selected by the District, other than the Treasurer, may be any bank, trust company, national banking association or other financial institution doing business in the State of California and with at least $50,000,000 in net assets.

Application and Investment of Series E Bond Proceeds and Tax Revenues

The Series E Bonds are being issued to: (i) finance the Project, (ii) pay the costs of issuing the Series E Bonds, and (iii) pay a portion of the interest due on the Series E Bonds through February 1, 2021.*

* *Preliminary, subject to change.*

A portion of the proceeds from the sale of the Series E Bonds paid to the District by the Underwriter shall be deposited in the Upland Unified School District Election of 2008 General Obligation Bond Series E Building Fund (the "Building Fund") established under the Bond Resolution and shall be kept separate and distinct from all other District and County funds. Interest earned on the investment of monies held in the Building Fund shall be retained in the Building Fund. The proceeds in the Building Fund shall be disbursed as directed by the District to pay for the Project.

In accordance with the Bond Resolution, on the date of delivery of the Series E Bonds, a portion of the amount to be deposited to the Building Fund will be transferred to The Bank of New York Mellon Trust Company, N.A. for deposit to a Costs of Issuance Fund to pay the costs of issuing the Series E Bonds.

Any original issue premium received from the sale of the Series E Bonds and the *ad valorem* property taxes securing the payment of the Series E Bonds, when received, shall be kept separate and apart in the Upland Unified School District Election of 2008 General Obligation Bond, Series E Debt Service Fund (the "Debt Service Fund") established under the Bond Resolution and used only for payments of principal and interest on the Series E Bonds. Interest earned on the investment of monies held in the Debt Service Fund shall be retained in the Debt Service Fund and used to pay principal and interest on the Series E Bonds when due.

Any excess proceeds of the Series E Bonds not needed for the purpose for which the Series E Bonds are issued shall be transferred from the Building Fund to the Debt Service Fund and applied to the payment of principal of and interest on the Series E Bonds. If after payment in full of the Series E Bonds there remains excess proceeds, any such excess amounts shall be transferred to the District's General Fund. Amounts which the District determines are required to be rebated to the federal government will be deposited in the Upland Unified School District Election of 2008 General Obligation Bond Series E Rebate Fund (the "Series E Rebate Fund") established under the Bond Resolution.

Investment of Bond Proceeds. Monies held in the Building Fund, the Debt Service Fund and the Series E Rebate Fund established under the Bond Resolution may be invested in any investments which are lawful investments for school districts under the laws of the State of California.

It is anticipated that monies in the Building Fund, the Series E Rebate Fund and the Debt Service Fund will be invested in the San Bernardino County Treasury Pool. See APPENDICES F and G hereto.

Redemption of Series E Bonds*

Optional Redemption. The Series E Bonds maturing on or before August 1, 20__ are not subject to redemption. The Series E Bonds maturing on or after August 1, 20__ may be redeemed before maturity at the option of the District on any date on or after August 1, 20__ as a whole, or in part by lot from such maturity or maturities as are selected by the District, at a redemption price equal to the principal amount of the Series E Bonds selected for redemption, together with interest accrued thereon to the date of redemption, without premium.

* *Preliminary, subject to change.*

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

Redemption Date (August 1)	***Principal Amount***
	$
†	

† Final Maturity.

In the event that a portion of the Measure E Bonds maturing on August 1, _____ is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments and the final payment due at maturity shown in the table above shall be reduced proportionately, as nearly as practicable, in integral multiples of $5,000, in an amount equal to the portion of the Measure E Bonds optionally redeemed.

Selection of Series E Bonds for Redemption

Whenever provision is made in the Bond Resolution for the optional redemption of Series E Bonds outstanding thereunder and less than all Series E Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select one or more maturities of Series E Bonds for redemption in accordance with such written instructions. Within a maturity, the Paying Agent shall select Series E Bonds for redemption by lot. The portion of any Series E Bond to be redeemed in part shall be in the Principal Amount of $5,000 or any integral multiple thereof.

Notice of and Effect of Redemption of the Series E Bonds

So long as the Series E Bonds are registered to DTC or its nominee, notices of redemption will be sent only to DTC in the manner provided for in its procedures and will not be sent by the Paying Agent to the Beneficial Owners.

At least 30 but not more than 60 days prior to the redemption date, a redemption notice shall be given to the owners of Series E Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the registration books of the Paying Agent or, so long as the Series E Bonds are registered to DTC or its nominee, in such manner as complies with the requirements of DTC. Neither the failure to receive any redemption notice nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the Series E Bonds being redeemed.

Any redemption notice for an optional redemption of the Series E Bonds delivered may be conditional, and, if any condition stated in the redemption notice shall not have been satisfied on or prior to the redemption date: (i) the redemption notice shall be of no force and effect, (ii) the District shall not be required to redeem such Series E Bonds, (iii) the redemption shall not be made, and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

If on a redemption date moneys for the redemption of the Series E Bonds to be redeemed, together with interest accrued to such redemption date, are held in the Debt Service Fund or an escrow account as provided in the Bond Resolution by the Paying Agent or a third party escrow agent, and if notice of redemption thereof shall have been given as set forth in the Bond Resolution, then from and after such redemption date, interest with respect to the Series E Bonds to be redeemed shall cease to accrue and become payable. When any Series E Bonds (or portions thereof) which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent and sufficient moneys are held by the Paying Agent or an escrow agent appointed by the District irrevocably in trust for the payment of the redemption price of such Series E Bonds or portions thereof, then such Series E Bonds shall no longer be deemed outstanding under the Bond Resolution and shall be surrendered to the Paying Agent for cancellation at maturity or on the applicable redemption date.

Book-Entry Only System

One fully registered bond without coupons for each maturity of the Series E Bonds will be issued and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Series E Bonds. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof for each maturity. Purchasers will not receive certificates representing their ownership interest in the Series E Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to DTC Participants for subsequent dispersal to the Beneficial Owners of the Series E Bonds as described herein. See Appendix E—"BOOK-ENTRY ONLY SYSTEM" herein.

Defeasance

All or a portion of the outstanding Series E Bonds may be paid and discharged in any one or more of the following ways:

(1) Cash: by irrevocably depositing with the Paying Agent or an independent escrow agent selected by the District an amount of cash which together with amounts then on deposit in the Debt Service Fund is sufficient to pay all Series E Bonds designated for defeasance, including all principal and interest and premium, if any; or

(2) Government Obligations: by irrevocably depositing with the Paying Agent or an independent escrow agent selected by the District noncallable Government Obligations (as defined below), together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with the interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with interest to accrue thereon, be fully sufficient to pay all Series E Bonds designated for defeasance at or before their maturity date or redemption date, as applicable, including all principal, interest and premium, if any.

If a Series E Bond is defeased as described above, then all obligations of the District under the Bond Resolution with respect to such outstanding Series E Bond shall cease and terminate, whether or not such Series E Bond has been surrendered for payment, except only (i) the obligation of the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid to the Owners of the Series E Bonds, all sums due thereon from the amounts on deposited pursuant to (1) and (2) above and (ii) the obligations of the District with respect to the Rebate Fund.

In the Bond Resolution, Government Obligations are defined as:

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

Supplemental Resolutions

The Bond Resolution and the rights and obligations of the District and of the Owners of the Series E Bonds may be modified or amended at any time by a supplemental resolution adopted by the District with the written consent of Owners owning at least 60% in aggregate principal amount of the Series E Bonds then Outstanding exclusive of Series E Bonds owned by the District; provided, however, that no such modification or amendment shall, without the express consent of the Owner of each Series E Bond affected, reduce the principal amount of any such Series E Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification. No such Supplemental Resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto.

The Bond Resolution and the rights and obligations of the District and of the Owners of the Outstanding Series E Bonds may be modified or amended at any time by a supplemental resolution adopted by the District, without the written consent of the Owners:

(1) To add to the covenants and agreements of the District in the Bond Resolution other covenants and agreements to be observed by the District which are not contrary to or inconsistent with such resolution as theretofore in effect;

(2) To add to the limitations and restrictions in the Bond Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the such resolution as theretofore in effect;

(3) To confirm as further assurance any pledge under, and the subjection to any lien or pledge created or to be created by the Bond Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under such resolution;

(4) To cure any ambiguity, supply any omission, or cure to correct any defect or inconsistent provision in the Bond Resolution; or

(5) To amend or supplement the Bond Resolution in any other respect, provided such Supplemental Resolution does not adversely affect the interests of the Owners of the Series E Bonds.

Any act done pursuant to a modification or amendment so consented to shall be binding upon the Owners of all the Outstanding Series E Bonds and shall not be deemed an infringement of any of the provisions of the Bond Resolution, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of such resolution, and after consent relating to such specified matters has been given, no Owner shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the District or any officer or agent of either from taking any action pursuant thereto.

Unclaimed Moneys

Anything in the Bond Resolution to the contrary notwithstanding, any moneys held by the Paying Agent in trust for the payment and discharge of any of the Series E Bonds which remain unclaimed for one year after the date when such Series E Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Paying Agent at such date, or for one year after the date of deposit of such moneys if deposited with the Paying Agent after said date when such bonds become due and payable, shall be repaid by the Paying Agent to the District, as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Series E Bonds shall look only to the District for the payment of such Series E Bonds; provided, however, that before being required to make such payment to the District, the Paying Agent shall, at the expense of District, cause to be mailed to the Owners of all such Series E Bonds at their respective addresses appearing on the registration books, a notice that said moneys remain unclaimed and that, after a date in said notice, which date shall not be less than 30 days after the date of mailing such notice, the balance of such moneys then unclaimed will be returned to the District.

Sources and Uses of Funds

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

Sources of Funds	
Principal Amount	$
Original Issue [Premium]	
Total Sources of Funds	$
Uses of Funds	
Building Fund	$
Debt Service Fund(1)	
Costs of Issuance(2)	
Total Uses of Funds	$

(1) To pay a portion of the interest due on the Series E Bonds through February 1, 2021.*
(2) All costs of issuance related to the Series E Bonds including Underwriter's discount.

* *Preliminary, subject to change.*

DEBT SERVICE SCHEDULE

The following table sets forth the semiannual debt service on the Series E Bonds (assuming no optional redemption):

Period Ending	***Series E Bonds Principal Payment***	***Series E Bonds Interest Payment***	***Total***
	$	$	$
Totals	**$**	**$**	**$**

The following table summarizes the aggregate annual debt service requirements for all of the District's outstanding general obligation bonds (assuming no optional redemption):

UPLAND UNIFIED SCHOOL DISTRICT
AGGREGATE ANNUAL DEBT SERVICE

Year Ending (August 1)	***Prior General Obligation Bonds***	***Series E Bonds***	***Total***
2019	$ 6,376,731	$	$
2020	6,430,481		
2021	5,200,781		
2022	5,380,706		
2023	5,795,706		
2024	6,501,256		
2025	6,720,756		
2026	7,404,650		
2027	7,219,450		
2028	7,317,425		
2029	7,801,825		
2030	8,176,163		
2031	8,594,244		
2032	8,991,244		
2033	9,307,094		
2034	5,746,894		
2035	6,050,388		
2036	6,382,338		
2037	6,717,688		
2038	6,826,750		
2039	7,242,388		
2040	7,183,594		
2041	13,415,100		
2042	14,534,911		
2043	15,258,405		
2044	16,020,905		
2045	16,825,000		
2046	17,662,837		
2047	18,550,000		
2048	19,476,011		
2049	20,454,035		
2050	20,255,000		
Total	$ 331,958,394	$	$

Source: Isom Advisors, a Division of Urban Futures, Inc.

SECURITY FOR THE SERIES E BONDS

The Series E Bonds are general obligation bonds of the District payable solely from amounts in the Debt Service Fund consisting of capitalized interest funded with Series E Bond proceeds and *ad valorem* property taxes levied on taxable property within the District. The Board of Supervisors of the County, on behalf of the District, is empowered and obligated annually to levy *ad valorem* taxes, without limitation of rate or amount, for the payment of the principal and interest on the Series E Bonds due and payable in the next succeeding bond year (less amounts on deposit in the Debt Service Fund established under the Bond Resolution), upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). The Bond Resolution irrevocably pledges as security for the Series E Bonds outstanding thereunder the proceeds from the levy of the *ad valorem* tax which are collected and allocated to the payment of the Series E Bonds. See "TAX BASE FOR REPAYMENT OF THE SERIES E BONDS" herein.

The District currently has $93,849,347 principal amount (exclusive of accreted interest and the principal amount of the District's Election of 2008 General Obligation Bonds, Series C, which bonds are being refunded on a crossover basis on August 1, 2025) of general obligation bonds outstanding (the "Prior General Obligation Bonds"). Following the issuance of the Series E Bonds, the District will have a total of $103,849,347* principal amount (exclusive of accreted interest) of general obligation bonds outstanding.

The Prior General Obligation Bonds are also payable solely from *ad valorem* property taxes levied on taxable property within the District to repay such bonds. The amount of the annual *ad valorem* tax levied to repay the Series E Bonds and the Prior General Obligation Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Series E Bonds and the Prior General Obligation Bonds in any year. Fluctuations in the annual debt service on the Series E Bonds and the Prior General Obligation Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. These factors include a general market decline in real property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the federal government, the State of California (the "State") and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination.

The assessed valuation of property in the District is $9,594,270,746 for fiscal year 2018-19, an increase of approximately 21.5% from fiscal year 2014-15. See "TAX BASE FOR REPAYMENT OF THE SERIES E BONDS—Historical Data Concerning District Tax Base." While the assessed valuation of property in the District has increased over recent years, future declines in real estate values in southern California, natural disasters, the departure of major taxpayers or other factors could result in lower assessed values in the District and in both a higher annual tax rate within the District and a higher level of delinquencies in tax payments. The County has adopted the Teeter Plan (defined below). As a result, the District's receipt of *ad valorem* property taxes currently is not subject to delinquencies. See "TAX BASE FOR REPAYMENT OF THE SERIES E BONDS—*Ad Valorem* Property Taxation—*Teeter Plan*."

THE SERIES E BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE COUNTY. NO PART OF ANY FUND OF THE COUNTY IS PLEDGED OR OBLIGATED TO THE PAYMENT OF THE SERIES E BONDS.

TAX BASE FOR REPAYMENT OF THE SERIES E BONDS

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

* *Preliminary, subject to change.*

Ad Valorem Property Taxation

The collection of property taxes is significant to the District and the owners of the Series E Bonds in two respects. First, amounts allocated to the District from the general 1% *ad valorem* property tax levy, which is levied in accordance with Article XIIIA of the California Constitution and its implementing legislation, funds a portion of the District's budget which is used to operate the District's educational program. See "DISTRICT FINANCIAL MATTERS—Revenue Sources" below. Second, the Board of Supervisors of the County will levy and collect *ad valorem* taxes on all taxable parcels within the District which are pledged specifically to the repayment of the Series E Bonds and the Prior General Obligation Bonds. All general obligation bonds of the District are issued on parity with one another and with the Series E Bonds. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Series E Bonds and the Prior General Obligation Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

Method of Property Taxation. Beginning in fiscal year 1978-79, Article XIIIA and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed how levies on county-wide property values were to be shared with local taxing entities within each county. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases in such entities may be affected by the existence of successor agencies to prior redevelopment agencies which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is made up by the State.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in a county as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer-Tax Collector of the county levying the tax.

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

District Assessed Valuation. Both the general 1% *ad valorem* property tax levy and the additional *ad valorem* levy for the Series E Bonds and the Prior General Obligation Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County is established as of January 1, and is subsequently equalized in September of each year, when tax bills are mailed to property owners.

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

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

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

Taxation of State-Assessed Utility Property. A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. The assessed value of unitary and certain other state-assessed property is allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Teeter Plan. Certain counties in the State of California operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies, but do not receive interest or penalties on delinquent taxes collected by the county. The County has adopted the Teeter Plan, and consequently the Teeter Plan is available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore not subject to delinquencies so long as the Teeter Plan remains in effect. The District can give no assurance that the Teeter Plan will remain in effect, in its present form, during the term of the Series E Bonds. However, the District is not presently aware of any plans by the County to discontinue the Teeter Plan.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least 55% of the participating revenue districts in the County. In the event the Board of Supervisors of the County is to order discontinuance of the Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

Historical Data Concerning District Tax Base

The information provided in Tables 1 through 6 below has been provided by California Municipal Statistics, Inc., an independent consulting firm. Neither the District nor the Underwriter has independently verified this information and does not guarantee its accuracy.

Property within the District has a total assessed valuation for fiscal year 2018-19 of $9,594,270,746. Table 1 below provides the five-year history of assessed valuations in the District.

Table 1
UPLAND UNIFIED SCHOOL DISTRICT
ASSESSED VALUATIONS
Fiscal Year 2014-15 through 2018-19

	Local Secured	*Utility*	*Unsecured*	*Total*
2014-15	$7,660,181,004	$69,645	$238,453,319	$7,898,703,968
2015-16	8,048,052,486	69,634	249,237,454	8,297,359,574
2016-17	8,437,949,648	69,599	233,939,221	8,671,958,468
2017-18	8,909,939,681	69,585	214,544,379	9,124,553,645
2018-19	9,365,240,871	69,271	228,960,604	9,594,270,746

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

There is no publicly available information showing tax charges and delinquencies solely for the properties within the District. Table 2 below summarizes the annual secured tax levy within the County and the amount delinquent as of June 30 for fiscal years 2013-14 through 2017-18. The County has adopted the Teeter Plan. As a result, the District's receipt of *ad valorem* property taxes is not subject to delinquencies so long as the Teeter Plan remains in effect. See "TAX BASE FOR REPAYMENT OF THE SERIES E BONDS—*Ad Valorem* Property Taxation—*Teeter Plan*."

Table 2
SAN BERNARDINO COUNTY
Secured Tax Charges and Delinquencies
Fiscal Years 2013-14 Through 2017-18

	Secured Tax Charges Levied(1)	*Delinquent Secured Taxes*	*% Delinquent June 30*
2013-14	$2,110,117,418	$44,448,879	2.11%
2014-15	2,216,431,473	42,207,744	1.90
2015-16	2,356,910,002	42,824,436	1.82
2016-17	2,492,112,637	44,417,547	1.78
2017-18	2,665,245,250	45,407,378	1.70

(1) All property taxes collected by the County as reported to the California State Controller's Office.
Source: California Municipal Statistics, Inc.

Tax Rates

There are a total of 71 tax rate areas in the District. Table 3 summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical Tax Rate Area within the District for fiscal years 2014-15 through 2018-19 expressed as a percentage of the assessed value of the property upon which such taxes were levied.

Table 3
UPLAND UNIFIED SCHOOL DISTRICT
Summary of *Ad Valorem* Tax Rates
Typical Total Tax Rates (TRA 8-001)
Fiscal Years 2014-15 Through 2018-19(1)

	2014-15	*2015-16*	*2016-17*	*2017-18*	*2018-19*
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Chaffey Community College District	0.0109	0.0113	0.0116	0.0088	0.0153
Upland Unified School District	0.0462	0.0525	0.0607	0.0551	0.0587
Metropolitan Water District	0.0035	0.0035	0.0035	0.0035	0.0035
Total	1.0606%	1.0673%	1.0758%	1.0674%	1.0775%

(1) Fiscal year 2018-19 assessed valuation of TRA 8-001 is $3,391,807,026 which is approximately 35.35% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

Largest Taxpayers

Table 4 below lists the 20 largest secured property taxpayers within the District measured by assessed valuation in fiscal year 2018-19.

Table 4
UPLAND UNIFIED SCHOOL DISTRICT
Twenty Largest Fiscal Year 2018-19 Local Secured Property Taxpayers

	Property Owner	*Primary Land Use*	*2018-19 Assessed Valuation*	*% of Total*[(1)]
1.	Colonies-Pacific	Commercial	$ 145,833,402	1.56%
2.	College Park Apartment Homes LP	Apartments	50,794,890	0.54
3.	MG Stoneridge Village Grove LLC	Apartments	45,249,555	0.48
4.	Rancho Monte Vista Apartment Homes	Apartments	43,708,380	0.47
5.	CT Retail Properties Finance II LLC	Commercial	42,180,359	0.45
6.	WNG Mountain Springs GP	Apartments	38,587,820	0.41
7.	Dee Matreyek-Kurth Trust	Apartments	35,709,897	0.38
8.	NU-168 Apartments LLC	Apartments	34,446,437	0.37
9.	BRE Paragon MF Alista Portofino CA	Apartments	34,333,201	0.37
10.	College Business Park LLC	Industrial	33,604,919	0.36
11.	Brixmor Upland Town Square LLC	Shopping Center	31,700,000	0.34
12	LPI DEL LLC	Apartments	28,195,835	0.30
13.	First Class Lodi LLC	Apartments	27,882,720	0.30
14.	Taylor Morrison of California LLC	Residential Development	27,429,315	0.29
15.	Cable Commercial Center LLC	Industrial	24,763,103	0.26
16.	Pacifica Canyon Club LP	Apartments	24,668,811	0.26
17.	Upland Meadows Management Company LP	Mobile Home Park	20,565,326	0.22
18.	WPG Upland Senior Living LLC	Assisted Living	20,482,057	0.22
19.	KB Home California LLC	Residential Development	20,410,412	0.22
20.	Holliday Rock Co. Inc.	Industrial	20,383,333	0.22
			$ 750,929,772	8.02%

(1) 2018-19 Local Secured Assessed Valuation: $9,365,240,871.
Source: California Municipal Statistics, Inc.

Table 5 provides certain information with respect to the assessed values of the single family homes located within the District. Single family homes represent 66.9% of the total local secured assessed valuations in fiscal year 2018-19.

Table 5
UPLAND UNIFIED SCHOOL DISTRICT
Per Parcel Fiscal Year 2018-19 Assessed Valuation of Single Family Homes

	No. of Parcels	*Fiscal Year 2018-19 Assessed Valuation*	*Average Assessed Valuation*	*Median Assessed Valuation*
Single Family Residential	15,926	$6,267,522,229	$393,540	$366,837

Fiscal Year 2018-19 Assessed Valuation	*No. of Parcels*[1]	*% of Total*	*Cumulative % of Total*	*Total Valuation*	*% of Total*	*Cumulative % of Total*
$0 - $49,999	207	1.300%	1.300%	$ 7,562,087	0.121%	0.121%
$50,000 - $99,999	989	6.210	7.510	73,512,539	1.173	1.294
$100,000 - $149,999	768	4.822	12.332	95,773,260	1.528	2.822
$150,000 - $199,999	987	6.197	18.529	174,273,410	2.781	5.602
$200,000 - $249,999	1,516	9.519	28.048	342,193,179	5.460	11.062
$250,000 - $299,999	1,526	9.582	37.630	419,084,570	6.687	17.749
$300,000 - $349,999	1,492	9.368	46.999	484,493,617	7.730	25.479
$350,000 - $399,999	1,335	8.383	55.381	500,126,355	7.980	33.459
$400,000 - $449,999	1,360	8.539	63.921	579,255,018	9.242	42.701
$450,000 - $499,999	1,260	7.912	71.832	597,820,413	9.538	52.239
$500,000 - $549,999	1,117	7.014	78.846	585,578,122	9.343	61.582
$550,000 - $599,999	949	5.959	84.805	544,430,841	8.687	70.269
$600,000 - $649,999	647	4.063	88.867	404,198,710	6.449	76.718
$650,000 - $699,999	572	3.592	92.459	385,799,542	6.156	82.873
$700,000 - $749,999	331	2.078	94.537	239,678,965	3.824	86.697
$750,000 - $799,999	255	1.601	96.138	196,858,264	3.141	89.838
$800,000 - $849,999	158	0.992	97.130	129,990,963	2.074	91.912
$850,000 - $899,999	91	0.571	97.702	79,446,747	1.268	93.180
$900,000 - $949,999	78	0.490	98.192	71,973,577	1.148	94.328
$950,000 - $999,999	49	0.308	98.499	47,708,066	0.761	95.090
$1,000,000 and greater	239	1.501	100.000	307,763,984	4.910	100.000
Total	15,926	100.000%		$ 6,267,522,229	100.000%	

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

Table 6 describes the District's land use by type in fiscal year 2018-19, which reflects that 82.92% of total assessed valuations is for residential property, 15.48% is for nonresidential property and 1.60% is for vacant parcels.

Table 6
UPLAND UNIFIED SCHOOL DISTRICT
Fiscal Year 2018-19 Assessed Valuation and Parcels by Land Use

	2018-19 Assessed Valuation[1]	*% of Total*	*No. of Parcels*	*% of Total*
Non-Residential:				
Commercial/Office	$ 958,318,379	10.23%	847	3.86%
Industrial	437,878,599	4.68	353	1.61
Recreational	35,173,297	0.38	24	0.11
Government/Social/Institutional	12,639,367	0.13	67	0.31
Miscellaneous	5,434,581	0.06	112	0.51
Subtotal Non-Residential	$ 1,449,444,223	15.48%	1,403	6.39%
Residential:				
Single Family Residence	$ 5,917,493,321	63.19%	15,029	68.49%
Condominium/Townhouse	890,253,289	9.51	2,922	13.32
Mobile Home	23,010,626	0.25	602	2.74
Mobile Home Park	40,929,580	0.44	8	0.04
2-4 Residential Units	216,305,670	2.31	624	2.84
5+ Residential Units/Apartments	668,663,832	7.14	188	0.86
Miscellaneous Residential	9,126,211	0.10	48	0.22
Subtotal Residential	$ 7,765,782,529	82.92%	19,421	88.50%
Vacant Parcels	$ 150,014,119	1.60%	1,120	5.10%
Total	$ 9,365,240,871	100.00%	21,944	100.00%

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

THE DISTRICT

The information in this section relates to the operations of the District and the District's finances. It should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series E Bonds is payable from the General Fund of the District. The Series E Bonds will be payable solely from the proceeds of an ad valorem property tax which is required to be levied by the County in an amount sufficient for the payment thereof and amounts on deposit in the Debt Service Fund. See "THE SERIES E BONDS—Security and Sources of Payment" herein.

Introduction

The District was founded in 1907 as an elementary school district and unified with the Upland High School as a K-12 district on July 1, 1987. The District provides kindergarten through twelfth grade educational services to an area of approximately 15 square miles in the County. The District is located in the western portion of the County and serves most of the City of Upland, and a small portion of adjacent areas. The District operates one high school, one alternative high school, one adult school, two junior high schools and ten elementary schools. The total enrollment in the District during fiscal year 2018-19 is approximately 10,693 students. The District's pupil/teacher ratio for fiscal year 2018-19 is approximately 24:1 for grade levels TK through 3, 29:1 for grade levels 4 through 6 and 33:1 for grade levels 7 through 12. One charter school operates within the District's boundaries.

Board of Education

The District is governed by a five member Board of Education. Members are elected to four year terms.

Table 7
UPLAND UNIFIED SCHOOL DISTRICT
Board of Education

Name	***Term Expires***
Jack Young, President	November 2020
Linda Angona, Vice President	November 2020
Wes Fifield, Clerk	November 2022
Robert Bennett, Member	November 2022
Mary Locke, Member	November 2022

Source: Upland Unified School District.

Superintendent and Administrative Personnel

The Superintendent of the District, appointed by the Board of Education, is responsible for management of the day-to-day operations and supervises the work of other District administrators. The names and backgrounds of the Superintendent and the senior administrative staff are set forth below.

Dr. Nancy Kelly, Superintendent of Schools. Dr. Nancy A. Kelly has served as Superintendent of Schools for the District since June 2013. Prior to assuming this position, Dr. Kelly served as a counselor, teacher, assistant principal, middle school and high school principal, director, and assistant superintendent, in various school districts in Los Angeles, Orange, and San Bernardino counties. Dr. Kelly has served in the field of education for 33 years. Dr. Kelly earned a Bachelor of Arts degree from San Diego State University, a Master of Science degree from Purdue University, and a doctoral degree from the University of California, Irvine and the University of California, Los Angeles.

Assistant Superintendent, Business Services. The position of Assistant Superintendent, Business Services, has been vacant since February 2019. The District is in the process of recruiting a new Assistant Superintendent, Business Services, and expects to have one in place by June 30, 2019. In the meantime, the District has filled the position on an interim basis and will continue to do so until the position has been filled.

Employee Relations

In the fall of 1974, the State Legislature enacted a public school employee collective bargaining law known as the Rodda Act, which became effective in stages in 1976. The law provides that employees are to be divided into appropriate bargaining units which are to be represented by an exclusive bargaining agent.

The teachers of the District (certificated employees) are represented by the Upland Teachers' Association (the "UTA"). The District and the certificated employees are currently operating under a contract that expired on June 30, 2018. The parties will continue to operate under the terms of the expired contract until a new contract is agreed upon. The District and the certificated employees have reached a tentative agreement for salary and benefits for fiscal year 2018-19. If ratified, the total salary increase for fiscal year 2018-19 would be approximately $1.1 million which is an ongoing expense in subsequent fiscal years. An additional one-time payment of approximately $535,000 would also be paid if the unrestricted portion of the

General Fund ending balance for fiscal year 2018-19 is not less than the amount projected in the 2018-19 Second Interim Report (as hereinafter defined). The 2018-19 Second Interim Report does not assume an increase in salaries or benefits for fiscal year 2018-19. See "DISTRICT FINANCIAL MATTERS—Current Financial Condition."

As of June 30, 2018 the District employed 585 full-time equivalent certificated employees with a total estimated payroll of $46,031,301. Table 8 below sets forth the number of full-time equivalent certificated employees for each of the last five fiscal years as of June 30 of such fiscal year.

Table 8
UPLAND UNIFIED SCHOOL DISTRICT
Full-Time Equivalent Certificated Employees

Fiscal Year	*Total Number of FTE Employees*
2013-14	562
2014-15	566
2015-16	599
2016-17	596
2017-18	585

Source: Upland Unified School District.

The California Service Employees' Association is the exclusive bargaining agent for non-teaching (classified) personnel. The District and the classified employees are currently operating under a contract that expires on June 30, 2019. Though the parties are settled for fiscal year 2017-18, they have not yet reached an agreement regarding the terms of salary and certain benefits for fiscal year 2018-19. The 2018-19 Second Interim Report does not assume an increase in salaries or benefits for fiscal year 2018-19.

As of June 30, 2018, the District employed 380 full-time equivalent classified employees with a total estimated payroll of $12,425,871. Table 9 below sets forth the number of full-time equivalent classified employees for each of the last five fiscal years as of June 30 of such fiscal year.

Table 9
UPLAND UNIFIED SCHOOL DISTRICT
Full-Time Equivalent Classified Employees

Fiscal Year	*Total Number of FTE Employees*
2013-14	328
2014-15	362
2015-16	372
2016-17	369
2017-18	380

Source: Upland Unified School District.

Retirement System

This section contains certain information relating to the Public Employees' Retirement System ("PERS") and the State Teachers' Retirement System ("STRS"). The information is primarily derived from information publicly available from by PERS and STRS, their independent accountants and their actuaries. The District has not independently verified the information regarding PERS and STRS and makes no representations nor expresses any opinion as to the accuracy of the information publicly available from by PERS and STRS.

The comprehensive annual financial reports of PERS and STRS are available from PERS at P.O. Box 942703, Sacramento, California 94229-2703 and from STRS at P.O. Box 15275, Sacramento, California 95851-0275 and on their websites at www.calpers.ca.gov and www.calstrs.ca.gov, respectively. The PERS and STRS websites also contain the most recent actuarial valuation reports, as well as other information concerning benefits and other matters. Such information is not incorporated by reference herein. The District cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

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

Prior to fiscal year 2014-15, unlike typical defined benefit programs, none of the employee, employer or State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, in 2014 the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by statute to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed A.B. 1469 ("A.B. 1469") in to law as a part of the 2014-15 State Budget. A.B. 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing on July 1, 2014, the employee contribution rates increased over a three-year phase-in period in accordance with the schedule set forth in Table 10 below:

TABLE 10
MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

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

Source: A.B. 1469.

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

Pursuant to A.B. 1469, K-14 school districts' contribution rate will increase over a seven year phase in period in accordance with the schedule set forth in Table 11 below:

TABLE 11
K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	***K-14 school districts***[(1)]
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

(1) Percentage of eligible salary expenditures to be contributed.
Source: A.B. 1469.

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

From its General Fund, District's contribution to STRS in fiscal years 2016-17 and 2017-18 was \$6,623,693 and \$7,461,737, respectively. The District projects a STRS contribution of \$8,489,754 in fiscal year 2018-19. For additional information regarding the District's participation in STRS, see Note 12 to the District's audited financial statements for fiscal year 2017-18 attached as Appendix B hereto.

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

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

PERS. Classified employees working four or more hours per day are members of PERS. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2018-19, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See "—California Public Employees' Pension Reform Act of 2013" herein.

From its General Fund, the District contributed $2,117,259 and $2,365,050 to PERS in fiscal years 2016-17 and 2017-18, respectively. The District projects a PERS contribution of $2,577,194 in fiscal year 2018-19. For additional information regarding the District's participation in PERS, see Note 12 to the District's audited financial statements for fiscal year 2017-18 attached as Appendix B hereto.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. Table 11 below summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS (Schools Pool). Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

TABLE 12
FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions)[1]
Fiscal Years 2011-12 through 2017-18

	STRS				
Fiscal Year	*Accrued Liability*	*Value of Trust Assets (MVA)[2]*	*Unfunded Liability (MVA)[3]*	*Value of Trust Assets (AVA)[4]*	*Unfunded Liability (AVA)[4][5]*
2011-12	$215,189	$143,118	$80,354	$144,232	$70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261

	PERS (Schools Pool)				
Fiscal Year	*Accrued Liability*	*Value of Trust Assets (MVA)[2]*	*Unfunded Liability (MVA)[3]*	*Value of Trust Assets (AVA)[4]*	*Unfunded Liability (AVA)[4]*
2011-12	$59,439	$44,854	$14,585	$53,791	$5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--[6]	--[6]
2014-15	73,325	56,814	16,511	--[6]	--[6]
2015-16	77,544	55,785	21,759	--[6]	--[6]
2016-17	84,416	60,865	23,551	--[6]	--[6]
2017-18[7]	92,071	64,846	27,225	--[6]	--[6]

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets.
(3) Unfunded Liability (MVA) is equal to the Accrued Liability column minus the Value of Trust Assets (MVA) column minus the amount deposited in the Supplemental Benefits Maintenance Account reserve, which is not available to provide benefits under the STRS Defined Benefit Program.
(4) Based on actuarial value of assets.
(5) Unfunded Liability (AVA) is equal to the Accrued Liability column minus the Value of Trust Assets (AVA) column.
(6) Figures not provided. Effective with the June 30, 2014 valuation, PERS no longer uses an actuarial value of assets.
(7) On April 16, 2019, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.
Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

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

Based on the change in actuarial assumptions adopted by the STRS Board, including the adoption of a 7% investment rate of return, recent investment experience and the insufficiency of the contributions received in fiscal year 2016-17 to cover interest on the unfunded actuarial obligation, the 2017 STRS Actuarial Valuation reports that the unfunded actuarial obligation increased by $10.6 billion since the June 30, 2016 actuarial valuation and the funded ratio decreased by 1.1% to 62.6% over such time period. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2017 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.6%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. According to PERS, the three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans and a 2-5% increase for most safety plans.

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

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

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

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

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer of 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

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

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

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

The District's net pension liability related to STRS and PERS was $119,514,539 at June 30, 2018. See Note 12 of Appendix B.

Post-employment Benefits

The District provides post-employment benefits through two programs. The first program is a Post-Employment Benefit Plan (the "District OPEB Plan") consisting of medical, vision and dental insurance benefits to all employees who retire from the District on or after attaining age 55 with at least 10 years of qualifying District service The benefits are provided between retirement and age 65, though one retiree is receiving lifetime District-paid benefits. Membership in the District OPEB Plan consists of retirees and beneficiaries currently receiving benefits, terminated plan members entitled to but not yet receiving benefits and active plan members. The medical plans consist of four options: a Blue Shield of California PPO, a Blue Shield of California HMO, a Blue Shield Trio and a Kaiser HMO. Eligible retirees receive a District paid contribution towards medical, dental and vision insurance. The District contribution is offset for retirees with spousal or family coverage under the Blue Shield PPO, and retirees with family coverage for Blue Shield HMO, Blue Shield Trio, and Kaiser. The contribution is reduced by a percentage for retirees whose service was less than 100% full-time during their period of qualifying District employment. The District contribution is then offset by the "Share of Cost for Retirees Under 65," which, for fiscal year 2017-18, was $62.50 per month for certificated employees and $0 per month for classified employees. With the one exception noted above, District-paid benefits end at age 65 or upon the death of the retiree, if earlier. Spouses and eligible dependent children of District retirees may also be covered under the District health plans, at the retiree's expense. As of June 30, 2018, there were 112 retirees and beneficiaries receiving District OPEB Plan benefits and 829 active plan members.

The District also participates in the Medicare Premium Payment program (the "MPP Program"), a cost-sharing multiple-employer post-employment benefit plan administered by STRS. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of STRS who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The MPP Program is closed to new entrants. In accordance with State law, the District funds its share of the MPP Program from a portion of the employer contribution to STRS. District payments to the MPP Program are funded on a pay-as-you-go basis. As a result of the implementation of GASB Statement 75, as described below, commencing with fiscal year 2017-18, the District presents the liability for the MPP Program in its audited financial statements and reported a liability of $750,003 for its proportionate share of the net liability for the MPP Program, measured as of June 30, 2018. See Note 8 to the District's June 30, 2018 Financial Statements set forth in Appendix B hereto.

Beginning with its fiscal year ending June 30, 2009, the District was required to comply with GASB Statement 45 relating to the District OPEB Plan, which required the District to recognize the expenses and related liabilities and assets for any post-employment benefits provided by the District in its government-wide financial statements of net assets and activities. The District was required to conduct a report on its unfunded actuarial liability every two years with respect to its post-employment benefits.

As calculated in accordance with the parameters former GASB Statement 45, the District's annual required contribution (the "ARC") for the District OPEB Plan was $3,154,445 for fiscal years 2015-16 and 2016-17. The District contributed $1,420,351, or 46.0%, of its ARC in fiscal year 2015-16 and $1,667,371, or 52.9% of its ARC in fiscal year 2016-17, net of interest and adjustments. The ARC represented a level of funding that, if paid on an ongoing basis, was projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities over a period not to exceed 30 years.

In June 2015, GASB issued Statement 75, which replaced the requirements under the GASB Statement 45. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of Statement 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or "OPEB"). Statement 75 also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Statement 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

More specifically, Statement 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. Statement 75 requires the recognition of the total OPEB liability in the Statement of Net Position. As a result of the implementation of GASB Statement 75, the District restated its beginning net position (decrease) at July 1, 2017 from ($53,845,316) to ($70,585,479). See Note 15 to the District's June 30, 2018 Financial Statements set forth in Appendix B hereto.

The District's most recent actuarial valuation report for the District OPEB Plan, dated November 26, 2018, reflects the application of GASB Statement 75. Based on such actuarial valuation report, the actuarial liability for the District OPEB Plan was $26,875,608 as of the June 30, 2018 measurement date. This amount represented the present value of all benefits projected to be paid by the District for current and future retirees. As of the June 30, 2018 measurement date set forth in the actuarial valuation report dated November 26, 2018, the District did not have a funded plan and had an unfunded actuarial accrued liability of $26,875,608 based on certain assumptions, which amount constitutes the portion of the actuarial liability arising from the past service of the District's current and future retirees.

The District recognizes the post-employment health care benefits on a pay-as-you-go basis. The most recent actuarial valuation report for the District OPEB Plan did not provide an actuarially determined contribution for the District OPEB Plan (i.e. a contribution amount that is projected to fully fund the District OPEB Plan over a period of amortization). The District contributed $1,241,628 to the District OPEB Plan in fiscal year 2017-18. The District recognized an OPEB expense of $1,473,476 for fiscal year 2017-18. The changes in net District OPEB Plan liability as of June 30, 2018, are shown in the following table:

Total District OPEB Plan Liability	***June 30, 2018***
Service Cost	$ 2,032,174
Interest on Total OPEB Liability	800,918
Changes of Assumptions or Other Inputs	(920,306)
Benefits Payment	(1,241,628)
Net Change in OPEB Liability	**671,158**
Total OPEB Liability, Beginning	**26,204,450**
Total OPEB Liability, Ending	**$26,875,608**

Source: Note 8 to Upland Unified School District Audited Financial Statements for fiscal year 2017-18.

At June 30, 2018, the District reported a liability of $750,003 for its proportionate share of the net liability for the MPP Program. The net liability for the MPP Program was measured as of June 30, 2016, and the total MPP Program liability used to calculate the net liability was determined by an actuarial valuation as of such date. The District's proportion of the net MPP Program liability was based on a projection of the District's long-term share of contributions to the MPP Program relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1783 percent and 0.1934 percent, resulting in a net decrease in the proportionate share of 0.0151 percent. For the year ended June 30, 2018, the District recognized MPP Program expense of $154,978.

See Note 8 to the District's June 30, 2018 Financial Statements set forth in Appendix B hereto for more information with respect to the District OPEB Plan and MPP Program.

Insurance

The District's basic property, crime, general liability and automobile insurance is administered by the Self-Insured Schools of California ("SISC") and the District's workers' compensation insurance is administered through CSAC Excess Insurance Authority ("CSAC"). Both SISC and CSAC are joint powers public agencies. The relationship between the District and these joint powers public agencies is such that neither SISC nor CSAC are component units of the District for financial reporting purposes. The District believes its coverages are adequate for a school district of its size and for the nature of its operations. In addition, based upon prior claims experience, the District believes that the recorded liabilities for insured claims are adequate.

DISTRICT FINANCIAL MATTERS

The information in this section relates to the operations of the District and the District's finances. It should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series E Bonds is payable from the general fund of the District. The Series E Bonds will be payable solely from the proceeds of an ad valorem property tax which is required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS—Security and Sources of Payment" herein.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles and are in accordance with the policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all State school districts.

The District generally adopts the Government Accounting Standards Board Statements for its financial reporting. Changes to the GASB Statements can result in changes in accounting principles which impact the District's financial reporting and results. See Note 1 to the District's audited financial statements for fiscal year 2017-18 attached as Appendix B hereto.

District Budget

The District is required by provisions of the California Education Code to maintain each year a balanced budget in which the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State.

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent of Schools (the "County Superintendent") within five days of adoption or by July 1, whichever occurs first. The budget is only readopted if it is disapproved by the County Superintendent, or as needed.

Upon receipt of an adopted budget, the County Superintendent will (a) 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, (b) determine if the adopted budget allows the district to meet its current obligations, (c) determine if the adopted budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, (d) determine whether the adopted budget includes the expenditures necessary to implement the local control and accountability plan or annual update thereto, and (e) determine whether the adopted budget includes a combined assigned and unassigned ending fund balance that exceeds the minimum recommended reserve for economic uncertainties. On or before September 15, the County Superintendent will approve, conditionally approve or disapprove the adopted budget for each school district.

If the County Superintendent determines that the adopted budget does not satisfy one or more of the requirements set forth in the preceding paragraph, the County Superintendent shall transmit recommendations regarding revisions to the adopted budget to the school district and the reasons therefor. The County Superintendent may assign a fiscal adviser to assist the school district to develop a budget in compliance with those revisions. In addition, the County Superintendent may appoint a committee to examine and comment on the review and recommendations, subject to the requirement that the committee report its findings to the County Superintendent no later than September 20.

If the adopted budget of a school district is conditionally approved or disapproved by the County Superintendent, on or before October 8, the governing board of the school district, in conjunction with the County Superintendent, shall review and respond to the recommendations of the County Superintendent at a regular meeting of the governing board of the school district. The response shall include any revisions to the adopted budget and other proposed actions to be taken, if any, as a result of those recommendations.

No later than October 22, the County Superintendent must notify the State Superintendent of Public Instruction (the "State Superintendent") of all school districts whose budget has been disapproved.

Upon receipt of a revised budget, the County Superintendent must determine whether the revised budget conforms to the standards and criteria applicable to final district budgets. If the revised budget is disapproved, the County Superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1, unless the governing board of the school district and the County Superintendent agree to waive the requirement that a budget review committee be formed and the department approves the waiver after determining that a budget review committee is not necessary.

If a budget review committee is appointed and recommends approval of the adopted budget, the County Superintendent shall accept the recommendation of the committee and approve the adopted budget.

If the budget review committee disapproves the adopted budget, the governing board of the school district, not later than five working days after the receipt of the report from the budget review committee, may submit a response to the Superintendent, including any revisions to the adopted budget and any other proposed actions to be taken as a result of the budget review committee's recommendations. Based upon these recommendations and any response thereto provided by the governing board of the school district, the Superintendent shall either approve or disapprove the revised budget. If the Superintendent disapproves the budget, he or she shall notify the governing board of the school district in writing of the reasons for that disapproval and, until the County Superintendent certifies the school district's First Interim Financial Report (as described below), the County Superintendent shall undertake the actions set forth in Section 42127.3.

Upon the grant of a waiver from the requirement to form a budget review committee, the County Superintendent immediately has the authority and responsibility provided in Section 42127.3. Upon approving a waiver of the budget review committee, the department shall ensure that a balanced budget is adopted for the school district by December 31. If no budget is adopted by December 31, the Superintendent may adopt a budget for the school district. The Superintendent shall report to the State Legislature and the Director of Finance by January 10 if any school district, including a school district that has received a waiver of the budget review committee process, does not have an adopted budget by December 31. This report shall include the reasons why a budget has not been adopted by the deadline, the steps being taken to finalize budget adoption, the date the adopted budget is anticipated, and whether the Superintendent has or will exercise his or her authority to adopt a budget for the school district.

Not later than November 8, the County Superintendent shall submit a report to the State Superintendent identifying all school district for which budgets have been disapproved or budget review committees waived.

Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

At a minimum, school districts file with their County Superintendent and the State Department of Education a First Interim Financial Report by December 15 covering financial operations from July 1 through October 31 and a Second Interim Financial Report by March 15 covering financial operations from November 1 through January 31. Section 42131 of the Education Code requires that each interim report be certified by the school board as either (a) "positive," certifying that the district, "based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years," (b) "qualified," certifying that the district, "based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years," or (c) "negative," certifying that the district, "based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year." A certification by a school board may be revised by the County Superintendent. If either the First or Second Interim Report is not "positive," the County Superintendent may require the district to provide a Third Interim Financial Report covering financial operations from February 1 through April 30 by June 1. If not required, a Third Interim Financial Report is not prepared. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. After the close of the fiscal year on June 30, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the State Department of Education.

The District's adopted budget for fiscal year 2013-14 was disapproved by the County Superintendent and a financial advisor was assigned to the District. The District then submitted a second adopted budget for fiscal year 2013-14 which was approved by the County Superintendent. Additionally, the District's second interim report for fiscal year 2011-12, its first interim report for fiscal years 2012-13 and 2013-14, and its second interim report and third interim report for fiscal year 2016-17 received qualified certifications, while its second interim report for fiscal year 2012-13 received a negative certification. Furthermore, the District's adopted budget for fiscal year 2016-17 was conditionally approved by the County Superintendent.

Pursuant to State law, the District adopted its fiscal year 2018-19 budget on June 28, 2018 (the "2018-19 Adopted Budget"), which set forth revenues and expenditures such that appropriations during fiscal year 2018-19 were not projected to exceed the sum of revenues plus the July 1, 2018 beginning fund balance. The District's first interim report and second interim report for fiscal year 2018-19 each received a positive certification. See "DISTRICT FINANCIAL MATTERS—Current Financial Condition" below.

State Funding of Education

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

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

The primary component of AB 97 is the implementation of the Local Control Funding Formula ("LCFF"), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. AB 97 provides for full implementation of the

LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment will be calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA established under AB 97 for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. Beginning in fiscal year 2013-14, the Base Grants are to be adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

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

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold. The District expects to qualify for a Concentration Grant in fiscal year 2018-19.

Table 13 below shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2014-15 through 2018-19.

Table 13
UPLAND UNIFIED SCHOOL DISTRICT
ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2014-15 through 2018-19

	Average Daily Attendance[1]					*Enrollment*	
Fiscal Year	*K-3*	*4-6*	*7-8*	*9-12*	*Total ADA*	*Total Enrollment*[2]	*% of EL/LI Enrollment*[2]
2014-15	3,204	2,486	1,743	3,466	10,899	11,225	54
2015-16	3,117	2,520	1,652	3,391	10,680	11,136	54
2016-17	3,252	2,505	1,612	3,354	10,723	11,012	54
2017-18	3,117	2,408	1,657	3,225	10,408	10,907	58
2018-19	3,107	2,317	1,624	3,204	10,252	10,693	58

(1) Reflects P-2 ADA.
(2) As of October report submitted to the California Basic Educational Data System (CBEDS). For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students will be expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment will be based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years. Enrollment for fiscal year 2018-19 is based on District's estimate for such fiscal year.
Source: Upland Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District did not qualify for the ERT add-on for fiscal year 2018-19.

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

Certain schools districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a basic aid district.

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

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

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP. The District has updated its LCAP for fiscal year 2018-19.

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

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

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

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

Historical General Fund Financial Information

Table 14 below summarizes the District's Statement of General Fund Revenues, Expenditures and Changes in Fund Balance for fiscal years 2013-14 through 2017-18. The figures in Table 15 below are taken from the District's audited financial statements. See APPENDIX B—"DISTRICT'S 2017-18 AUDITED FINANCIAL STATEMENTS" for further detail on the District's financial condition as of June 30, 2018.

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Table 14
UPLAND UNIFIED SCHOOL DISTRICT
Summary of Audited General Fund Revenues, Expenditures and Changes in Fund Balance

	2013-14	*2014-15*	*2015-16*	*2016-17*	*2017-18*
Revenues:					
Revenue Limit Sources:	$ 73,617,084	$ 80,753,551	$ 87,887,835	$ 91,133,682	$ 92,998,727
Federal Revenues	4,289,678	4,821,937	5,279,299	5,191,279	5,470,912
Other State Revenues	8,326,312	6,767,950	13,101,886	10,219,256	12,532,498
Other Local Revenues	5,841,899	6,231,367	7,955,714	7,335,916	7,671,540
Total Revenues	$ 92,074,973	$ 98,574,805	$ 114,224,734	$ 113,880,133	$ 118,673,677
Expenditures:					
Instruction	$ 56,528,324	$ 66,997,377	$ 78,482,743	$ 80,060,806	$ 81,211,703
Instruction-Related Services:					
Supervision of Instruction	1,828,688	2,673,244	3,528,803	4,020,309	4,751,922
Instruction Library, Media and Technology	443,660	515,088	589,357	593,402	589,936
School Site Administration	5,093,655	5,452,139	6,472,161	6,576,159	6,603,904
Pupil Services:					
Home-to-School Transportation	1,464,670	1,626,975	1,721,243	2,474,451	2,394,237
Food Services	88,107	86,395	181,704	89,398	72,648
All Other Pupil Services	3,728,590	4,490,657	5,491,168	5,362,705	5,148,525
General Administration:					
Data Processing	764,949	771,676	835,705	860,944	759,122
All Other General Administration	2,739,467	3,021,082	3,712,524	3,981,899	3,570,851
Plant Services	7,163,491	7,943,580	9,016,654	9,359,378	9,029,498
Facility Acquisition and Construction	--	--	549,700	153,328	3,634,878
Ancillary Services	338,221	333,611	447,932	461,484	559,083
Community Services	945,690	1,059,811	1,236,355	1,310,419	1,424,145
Other Outgo	2,518,007	1,443,910	1,348,188	1,460,962	1,561,151
Debt Service:					
Principal	33,554	41,932	--	--	--
Interest	--	--	--	--	--
Total Expenditures	$ 83,679,073	$ 96,457,477	$ 113,614,237	$ 116,765,644	$ 121,311,603
Excess of (Deficiency) of Revenues Over (Under) Expenditures	8,395,900	2,117,328	610,497	(2,885,511)	(2,637,926)
Other Financing Sources (Uses)					
Interfund Transfers in	$ 579,348	$ -	$ -	$ --	$ --
Interfund Transfers out	-	-	-	(11,688)	--
Total Other Financing Sources (Uses)	579,348	-	-	(11,688)	--
Net Change in Fund Balance	8,975,248	2,117,328	610,497	(2,897,199)	(2,637,926)
Fund Balance, July 1	$ 6,352,323[(1)]	$ 15,327,571	$ 17,444,899	$ 18,055,396	$ 15,158,197
Fund Balance, June 30	$ 15,327,571	$ 17,444,899	$ 18,055,396	$ 15,158,197	$ 12,520,271

(1) The District prepaid expenditures in fiscal year 2012-13 in the amount of $911,909. These expenditures were incorrectly omitted from the District's audited financial statements for such fiscal year. This resulted in a restatement of the June 30, 2013 ending General Fund balance from $7,264,232 to $6,352,323.

Source: Upland Unified School District Audited Financial Statements for fiscal years 2013-14 through 2017-18.

Table 15 below sets forth the District's General Fund balance sheet for the 2013-14 through 2017-18 fiscal years. The figures in Table 15 are taken from the District's audited financial statements.

Table 15
UPLAND UNIFIED SCHOOL DISTRICT
Summary of Combined General Fund Balance Sheet

	Audited 2013-14	*Audited 2014-15*	*Audited 2015-16*	*Audited 2016-17*	*Audited 2017-18*
Assets					
Deposits and Investments	$ 15,095,081	$ 25,368,965	$ 23,805,720	$ 22,888,161	$ 18,930,130
Receivables	13,989,912	3,832,026	4,728,038	3,714,192	4,007,186
Due from Other Funds	516,609	314,905	451,228	566,752	1,372,120
Stores Inventories	129,109	155,222	208,056	145,353	174,768
Prepaid Expenditures	623	21,240	14,731	49,745	85,568
Total Assets	$ 29,731,334	$ 29,692,358	$ 29,207,773	$ 27,364,203	$ 24,569,682
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	$ 11,612,356	$ 12,098,551	$ 11,067,545	$ 12,165,739	$ 12,002,500
Due to Other Funds	2,601,227	-	80,285	40,267	10,976
Deferred Revenues	190,180	148,908	4,547	-	35,935
Total Liabilities	$ 14,403,763	$ 12,247,459	$ 11,152,377	$ 12,206,006	$ 12,049,411
Fund Balances					
Reserved Fund Balances	$ 5,550,529	$ 4,435,368	$ 6,120,808	$ 5,180,281	$ 4,202,290[1]
Designated Fund Balances	1,336,882	2,893,724	8,526,161	6,474,947	4,679,452[1]
Undesignated Fund Balances	8,440,160	10,115,807	3,408,427	3,502,969	3,638,529[1]
Total Fund Balances	$ 15,327,571	$ 17,444,899	$ 18,055,396	$ 15,158,197	$ 12,520,271
Total Liabilities and Fund Balances	$ 29,731,334	$ 29,692,358	$ 29,207,773	$ 27,364,203	$ 24,569,682

(1) These Fund Balance categories are for comparative purposes only. The District's fiscal year 2017-18 financial statements categorize the Fund Balances as follows: Nonspendable ($335,246), Restricted ($3,867,044) and Unassigned ($8,317,981).
Source: Upland Unified School District Audited Financial Statements for fiscal years 2013-14 through 2017-18.

Table 16 below compares the District's General Fund Adopted Budget to its General Fund actual revenues and expenditures for fiscal years 2016-17 and 2017-18. See "DISTRICT FINANCIAL MATTERS—District Budget" herein.

Table 16
UPLAND UNIFIED SCHOOL DISTRICT
Comparison of General Fund Budgeted to General Fund Revenues and Expenditures for fiscal years 2016-17 and 2017-18

	2016-17(1)		*2017-18*(2)	
	Budget	*Audited*	*Budget*	*Audited*
Revenues				
Local Control Funding Formula	$ 91,387,433	$ 91,133,682	$ 93,118,461	$ 92,998,727
Federal	5,454,542	5,191,279	5,601,673	5,470,912
Other State	6,108,694	10,219,256	7,608,254	12,532,498
Other Local	6,941,006	7,335,916	7,297,676	7,671,540
Total Revenues	$ 109,891,675	$ 113,880,133	$ 113,626,064	$ 118,673,677
Expenditures				
Certificated Salaries	$ 52,566,717	$ 53,218,018	$ 53,047,447	$ 52,945,372
Classified Salaries	15,109,111	14,988,128	15,033,852	14,898,175
Employee Benefits	26,092,204	29,767,888	27,104,219	30,919,005
Books and Supplies	5,256,496	5,151,948	6,207,813	5,308,547
Services and Other Operating Expenditures	11,828,804	11,993,476	12,414,500	12,029,427
Capital Outlay	215,782	185,225	3,869,212	3,649,925
Other Outgo	1,430,701	1,460,961	1,677,580	1,561,152
Total Expenditures	$ 112,499,815	$ 116,765,644	$ 119,354,623	$ 121,311,603
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (2,608,140)	$ (2,885,511)	$ (5,728,559)	$ (2,637,926)
Other Financing Sources	$ -	$ -	$ -	$ -
Interfund Transfers In	-	-	-	-
Interfund Transfers Out	-	(11,688)	-	-
Total Other Financing Sources and Uses	$ -	$ (11,688)	$ -	$ -
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (2,608,140)	$ (2,897,199)	$ (5,728,559)	$ (2,637,926)
Fund Balances, July 1	18,055,396	18,055,396	15,158,197	15,158,197
Fund Balances, June 30	$ 15,447,256	$ 15,158,197	$ 9,429,638	$ 12,520,271

(1) On behalf payments of $3,951,858 are included both revenues and expenditures in the Audited column but not in the Budget column.
(2) On behalf payments of $4,381,024 are included in both revenues and expenditures in the Audited column but not in the Budget column.
Source: Upland Unified School District adopted budget for fiscal years 2016-17 and 2017-18 and Audited Financial Statements for fiscal years 2016-17 and 2017-18.

Current Financial Condition

The District's financial condition is closely linked to the finances of the State. Until fiscal year 2012-13, the State had experienced an ongoing structural budget deficit for several years which resulted in reduced funding for school districts. Although the State budget has produced surpluses in the last several fiscal years, future economic conditions in the State and budget decisions by the State could have an adverse impact on the District's financial condition. See "STATE OF CALIFORNIA FISCAL ISSUES."

Table 18 below compares the District's 2018-19 Adopted Budget to its Second Interim Report for fiscal year 2018-19 (the "2018-19 Second Interim Report"), which reflects the financial condition of the District as of January 31, 2019.

Table 17
UPLAND UNIFIED SCHOOL DISTRICT
Comparison of 2018-19 Adopted General Fund Budget to
Second Interim Report for Fiscal Year 2018-19

	2018-19 Adopted Budget	*Second Interim Report for 2018-19*	*Difference Between 2018-19 Adopted Budget and 2018-19 Second Interim Report*
SOURCES			
LCFF Sources	$ 97,047,650	$ 98,322,001	1.3%
Federal Revenues	5,528,139	6,641,873	20.1
Other State Revenues	7,012,908	6,712,581	(4.3)
Other Local Revenues	6,631,000	7,151,932	7.9
Total Revenues	$ 116,219,697	$ 118,828,387	
EXPENDITURES			
Certificated Salaries	$ 53,448,689	$ 53,464,720	0.0%
Classified Salaries	15,539,345	15,754,776	1.4
Employee Benefits	27,603,477	27,810,391	0.7
Books and Supplies	4,249,761	5,281,334	24.3
Services and Other Operating Expenditures	12,347,211	14,249,544	15.4
Capital Outlay	119,511	1,150,753	862.9
Direct Support/Indirect Costs/ Outgo	1,756,468	1,755,257	(0.1)
Total Expenditures	$ 115,064,462	$ 119,466,775	
Excess of Revenues over Expenditures	$ 1,155,235	$ (638,388)	
OTHER FINANCING SOURCES			
Operating Transfers In/Out	$ -	$ -	
Other	-	(31,508)	
Total Other sources (uses)	$ -	$ (31,508)	
Net Increase (Decrease) in Fund Balance	$ 1,155,235	$ (669,896)	
Fund Balance (Deficit), July 1	$ 9,429,638	$ 12,520,271	
Fund Balance (Deficit), June 30	$ 10,584,873	$ 11,850,375	

Source: Upland Unified School District 2018-19 Adopted Budget; 2018-19 Second Interim Report.

In 2014, the County Superintendent of Schools did not approve the initial budget adopted by the District for fiscal year 2013-14 and appointed a financial advisor due to concerns about the financial condition of the District. Working with the financial advisor, the District took a number of steps to reduce expenditures in fiscal year 2013-14 by approximately $6 million from the original budget. As a result of the expenditure reductions and increased LCFF revenues, the second interim report for 2013-14 contained a positive certification and the District's General Fund revenues exceeded General Fund expenditures for the fiscal year by $8.4 million. The cost saving measures implemented by the District in fiscal year 2013-14 included negotiating 9 to 14 furlough days for various employee groups, reducing the total number of employees through attrition, requiring employee contributions for health and welfare benefits and negotiating more favorable terms for health and welfare benefits and various insurance plans.

As a result of the actions of the budget reductions in 2013-14 and increased State revenues, General Fund revenues exceeded General Fund expenditures by approximately $2.1 million in fiscal year 2014-15 and $600,000 in fiscal year 2015-16. However, due primarily to declining enrollment and increased personnel costs, including pensions, General Fund expenditures exceeded General Fund revenues by approximately $2.9 million in fiscal year 2016-17 and $2.6 million in fiscal year 2017-18. In the District's First Interim Report for fiscal year 2018-19 (the "2018-19 First Interim Report"), which provided information as of October 31, 2018, the District projected that General Fund expenditures would exceed General Fund revenues in each of fiscal years 2018-19, 2019-20 and 2020-21. The District projected in the 2018-19 First Interim Report that General Fund expenditures would exceed General Fund revenues by approximately $5.8 million through June 30, 2021 leaving a General Fund balance of approximately $6.7 million as of such date.

Given the projected decline in ending fund balance presented in the 2018-19 First Interim Report, the County Superintendent asked that the District, when approving the 2018-19 Second Interim Report, identify any cost cutting measures that it had assumed in creating the multi-year projections set forth therein. In addition, the County Superintendent requested that the District provide it with a list of Board approved cost cutting measures in connection with the adoption of the District's budget for fiscal year 2019-20.

Since the date that the 2018-19 First Interim Report was submitted to the County Superintendent, the Governor released his Proposed 2019-20 Budget (defined below). As a result of the increased funding projections and cost of living assumptions set forth in the Proposed 2019-20 Budget, the District was able to positively certify its 2018-19 Second Interim Report. Though the 2018-19 Second Interim Report still projects that General Fund expenditures will exceed General Fund revenues by approximately $6.5 million through June 30, 2021, the District projects that it will be able to satisfy all statutory financial requirements through at least fiscal year 2020-21. These projections do not include any amounts for salary and benefits increases that might be negotiated with the District's employee groups, including the costs associated with the tentative employment agreement between the District and the certificated employees. See "THE DISTRICT—Employee Relations."

If necessary, the District believes that there are a number of cost-cutting measures available to it if expenditures need to be reduced during the next two fiscal years, including utilizing energy efficient projects to save energy costs, implementing staffing adjustments, reducing transportation costs, realigning funding sources, limiting the District's contributions towards employee health and welfare costs, reducing school and department budgets and restricting overtime. The projected deficits set forth in the 2018-19 Second Interim Report are driven primarily by further expected declines in enrollment and increasing pension costs and the projections do not include any amounts for increased labor costs that might result from negotiations with employee groups. The District expects that enrollment will continue to decline for the next three fiscal years, but it is taking affirmative steps to increase enrollment going forward, including implementing a more liberal transfer policy to increase the number of students transferring from other school districts, opening a magnet elementary school and enhancing its high school programs. The District did not adopt any specific expenditure cuts in connection with the 2018-19 Second Interim Report, and it is unknown at this time whether the District will make any specific expenditure cuts in connection with its budget for fiscal year 2019-20.

State law requires the District to maintain a reserve for economic uncertainty equal to at least 3% of General Fund expenditures and other financing uses. The District is also required to demonstrate that available reserves for each of the next two fiscal years will equal or exceed the required amount. The 2018-19 Second Interim Report projects that reserves will equal the 3% requirement for each of fiscal years 2018-19, 2019-20 and 2020-21.

Under SB 858 (as defined below), the District's future reserves may be capped at 6% of annual expenditures in certain fiscal years. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2" and "STATE OF CALIFORNIA FISCAL ISSUES." As the reserve cap provisions of SB 858 are dependent upon State budget actions, the District cannot predict the fiscal years in which the cap may apply.

For several fiscal years, including fiscal year 2016-17, the State deferred the payment of certain revenues due to school districts to the following fiscal year. In accordance with State accounting standards, the District applies an accrual method of accounting and, accordingly, Tables 14 through 17 do not reflect any deferral of revenues to future fiscal years. The District did not issue short-term notes to manage cash flow in fiscal year 2017-18. See "DISTRICT DEBT STRUCTURE—Short-Term Debt" herein. The District does not anticipate needing to borrow additional funds on a short-term basis in order to have adequate cash on hand to meet expenditures in the current fiscal year, though the District may borrow from internal funds or from the County Treasurer on a short-term basis, if needed.

Revenue Sources

The District categorizes its General Fund revenues into four sources: (1) state apportionment funding; (2) federal sources; (3) other State sources; and (4) other local sources. Each of these revenue sources is described below.

State Apportionment Funding

The primary source of District funding prior to fiscal year 2013-14 came from the State in the form of base revenue limit funding per unit of ADA. In fiscal year 2013-14, state apportionment funding changed as a result of the LCFF. See "DISTRICT FINANCIAL MATTERS—State Funding of Education." For fiscal year 2016-17, the District received $91,133,682 under the LCFF, representing 80.0% of its actual General Fund revenues and for fiscal year 2017-18, the District received $92,998,727 under the LCFF, representing 78.4% of its actual General Fund revenues. In the 2018-19 Second Interim Report, the District projects $98,322,001 in State Apportionment Funding in fiscal year 2018-19, representing 82.7% of its projected General Fund revenues.

Federal Revenues

The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools. The federal revenues, all of which are restricted, comprised approximately 4.6% of General Fund revenues in fiscal year 2016-17 and approximately 4.6% of General Fund revenues in fiscal year 2017-18. In the 2018-19 Second Interim Report, federal revenues are projected to be 5.6% of General Fund revenues in fiscal year 2018-19.

Other State Sources

In addition to State apportionment funding discussed above, the District receives other State revenues ("Other State Revenues"). In fiscal years 2016-17 and 2017-18, Other State Revenues equaled approximately 9.0% and 10.6%, respectively, of total General Fund revenues. Other State Sources are projected in the 2018-19 Second Interim Report to be approximately 5.6% of General Fund revenues in fiscal year 2018-19.

Other Local Sources

In addition to property taxes, the District receives additional local sources ("Other Local Revenues") from items such as the leasing of property owned by the District and interest earnings. These Other Local Revenues (including tuition and transfers) equaled approximately 6.4% and 6.5% of the total General Fund revenues in fiscal years 2016-17 and 2017-18. Other Local Revenues are projected in the 2018-19 Second Interim Report to be approximately 6.0% of General Fund revenues in fiscal year 2018-19.

Capital Projects Funds

The District maintains a Capital Facilities Fund, separate and apart from the General Fund, to account for developer fees collected by the District. The District's developer fees may be utilized for any capital purpose related to growth. Separate and apart from the General Fund, the District also maintains a Building Fund to account for general obligation bond proceeds restricted to capital projects, a County School Facilities Fund to account for State apportionments provided for the construction and reconstruction of school facilities and a Special Reserve Fund for Capital Outlay Projects to act as a reserve for Board of Education designated construction projects.

Collection of developer fees followed a formal declaration by the Board of Education which addressed the overcrowding of District schools as a result of new development. These fees are collected pursuant to certain provisions of the Education Code of the State. The square-foot amounts are periodically adjusted for inflation and the current developer fee is $3.36 per square foot of habitable space on domestic housing developments. The current developer fee on commercial/industrial developments is $0.54 per square foot. Developer fee collections during recent fiscal years ranged from a low of $370,860 in fiscal year 2012-13 to a high of $1,274,819 in fiscal year 2017-18.

In the 2018-19 Second Interim Report, the District projects that there will be a balance of $4,992,529 in the District's Capital Facilities Fund, a balance of $622,565 in the Building Fund, a balance of $92,667 in the County School Facilities Fund and a balance of $0.00 in the Special Reserve Fund for Capital Outlay at June 30, 2019. The amounts in these funds are restricted to pay for capital improvements.

DISTRICT DEBT STRUCTURE

Long-Term Debt

As of June 30, 2018, the District had $158,721,138 of long-term debt outstanding. The District has not issued any general obligation bonds since such date.

A schedule of changes in long-term debt for the year ended June 30, 2018 is as follows:

Table 18
UPLAND UNIFIED SCHOOL DISTRICT
Long-Term Debt

Governmental Activities	*Balance July 1, 2017*	*Additions*	*Deductions*	*Balance June 30, 2018*	*Balance Due In One Year*
General Obligation Bonds	$ 116,859,337	$ 17,270,980	$ 9,390,000	$ 124,740,317	$ 4,230,000
Premium on Bonds	5,644,216	1,122,560	842,931	5,923,845	-
Discount on Bonds	-	(237,863)	(8,920)	(228,943)	-
Compensated Absences	594,507	65,801	-	660,308	-
Net Other Postemployment Benefits Liability	27,109,431	2,833,092	2,316,912	27,625,611	-
Total	$ 150,207,491	$ 21,054,570	$ 12,540,923	$ 158,721,138	$ 4,230,000

Source: Upland Unified School District.

Additional information regarding the long-term debt and its scheduled repayment is set forth in Note 8 in the District's 2017-18 Audited Financial Statements attached as Appendix B hereto. The Board acts as the legislative body of two community facilities districts which have issued bonds secured by special taxes levied within the boundaries of those districts as described in Note 9 in the District's 2017-18 Audited Financial Statements attached as Appendix B hereto.

Short-Term Debt

The District has no short-term debt outstanding. The District does not expect to issue any Tax and Revenue Anticipation Notes in fiscal year 2018-19.

Direct and Overlapping Debt

Contained within the District are numerous overlapping local agencies providing public services. These local agencies have outstanding debt issued in the form of general obligation, lease revenue and special tax and assessment bonds. The direct and overlapping debt of the District is shown in Table 19 on the following page. Tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement.

The information in the following table has been provided by California Municipal Statistics, Inc. Neither the District nor the Underwriter has independently verified this information and do not guarantee its accuracy.

Table 19
UPLAND UNIFIED SCHOOL DISTRICT
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
AS OF JANUARY 1, 2019

2018-19 Assessed Valuation: $9,594,270,746

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/19
Metropolitan Water District	0.328%	$ 198,768
Chaffey Community College District	8.450	11,740,430
Upland Unified School District	**100.000**	**89,507,400**[(1)]
Upland Unified School District Community Facilities District No. 99-1	100.000	1,374,000
Upland Unified School District Community Facilities District No. 01-1	100.000	1,781,000
City of Upland Community Facilities District No. 2003-1	100.000	1,290,000
City of Upland Community Facilities District No. 2003-2, I.A. No. 1	100.000	19,300,000
City of Upland Community Facilities District No. 2003-2, I.A. No. 2	100.000	15,535,000
City of Upland Community Facilities District No. 2016-1, I.A. No. 1	100.000	8,435,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 149,161,598
OVERLAPPING GENERAL FUND DEBT:		
San Bernardino County General Fund Obligations	4.313%	$ 14,455,235
San Bernardino County Pension Obligation Bonds	4.313	12,457,077
San Bernardino County Flood Control District General Fund Obligations	4.313	2,709,427
Chaffey Community College District General Fund Obligations	8.450	2,646,540
City of Montclair General Fund Obligations	0.099	41,471
City of Upland General Fund Obligations	94.790	6,802,866
West Valley Vector Control District Certificates of Participation	0.018	430
TOTAL OVERLAPPING GENERAL FUND DEBT		$ 39,113,046
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$ 20,876,624
COMBINED TOTAL DEBT		$ 209,151,268[(2)]

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($89,507,400)... 0.93%
Total Direct and Overlapping Tax and Assessment Debt...... 1.55%
Combined Total Debt 2.18%

Ratios to Redevelopment Incremental Valuation ($1,444,335,703):
Total Overlapping Tax Increment Debt................................ 1.45%

___

(1) Excludes the Series E Bonds. Includes the refunded portion of the District's Election of 2008 General Obligation Bonds, Series C (the "2008C Bonds"), and excludes the District's 2017 General Obligation Refunding Bonds, Series A (2025 Crossover), which bonds refunded the 2008C Bonds on a crossover basis.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Series E Bonds are payable solely from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "SECURITY FOR THE SERIES E BONDS" herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 1A, 2, 22, 30 39, 46, 98 and 111 and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Series E Bonds. The tax levied by the County for payment of the Series E Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property 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 newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978, and (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition. In 2000, Article XIIIA was amended to allow for an increase in *ad valorem* taxes for bonded indebtedness incurred by a school district or community college district if approved by 55% or more of the votes cast. See "—Proposition 39" below.

Legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The District is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues. Article XIIIA effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Unitary Property

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

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on any utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

Article XIIIB

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIIIB to the California Constitution. In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Article XIIIB of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the state to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIIIB include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIIIB do not include debt service on indebtedness existing or legally authorized as of January 1, 1979 on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (b) the investment of tax revenues and (c) certain State subventions received by local governments. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in June 1990, the appropriations limit for local governments in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the local government's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the District over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the appropriations limit are absorbed into the State's allowable limit. The District does not currently have and does not anticipate having "proceeds of taxes" in excess of its appropriations limit.

Article XIIIB permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years. Pursuant to statute, if a school district receives any proceeds of taxes in excess of its appropriations limit, it may, by resolution of the governing board, increase its appropriations limit to equal the amount received, provided that the State has sufficient excess appropriations limit in that fiscal year.

Articles XIIIC and XIIID

On November 5, 1996, California voters approved Proposition 218—Voters Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Among other things, Proposition 218 states that all taxes imposed by local governments shall be deemed to be either "general taxes" (imposed for general governmental purposes) or "special taxes" (imposed for specific purposes); prohibits special purpose government agencies, including 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. Proposition 218 also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. A portion of the District's revenues are received annually from property taxes. The State Constitution and the laws of the State impose a mandatory, statutory duty on the County Treasurer to levy a property tax sufficient to pay debt service on the Series E Bonds coming due in each year. There is no court case which directly addresses whether the initiative power may be used to reduce or repeal the *ad valorem* taxes pledged to repay general obligation bonds. See "DISTRICT FINANCIAL MATTERS—Revenue Sources." In the case of *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the "Bighorn Decision"), the California Supreme Court held that water service charges may be reduced or repealed through a local voter initiative subject to Article XIIIC. The Supreme Court did state that it was not holding that the initiative power is free of all limitations. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

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

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. No developer fees imposed by the District are pledged or expected to be used to make payments with respect to the Series E Bonds.

The provisions of Article XIIIC and XIIID may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which provided an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

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

Section 1(b)(3) of Article XIIIA has been added to exempt from the 1% *ad valorem* tax limitation under Section 1(a) of Article XIIIA of the Constitution levies to pay bonds approved by the 55% of the voters, subject to the restrictions explained above. The *ad valorem* tax for payment on the Series E Bonds falls within the exception described in the preceding sentence.

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

Propositions 98 and 111

On November 8, 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). Proposition 98 changed State funding of public education below the university level and the operation of the State's appropriations limit, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) 40.9% of State General Fund revenues (the "first test"), or (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"), or (c) a "third test" which would replace the second test in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 1/2 of 1% is less than the percentage growth in California per capita personal income. Under the third test, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test would become a "credit" to schools which would be paid in future years when State General Fund revenue growth exceeds personal income growth.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period, and any corresponding reduction in funding for that year will not be paid in subsequent years. However, in determining the funding level for the succeeding year, the formula base for the prior year will be reinstated as if such suspension had not taken place. In certain fiscal years, the State Legislature and the Governor have utilized this provision to avoid having the full Proposition 98 funding paid to support K-14 schools.

Proposition 98 also changes how tax revenues in excess of the State Appropriations Limit are distributed. "Excess" tax revenues are determined based on a two-year cycle, so that the State could avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year were under its limit. After any two-year period, if there are excess State tax revenues, 50% of the excess would be transferred to K-14 schools with the balance returned to taxpayers. Further, any excess State tax revenues transferred to K-14 schools are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit will not be increased by this amount.

Since Proposition 98 is unclear in some details, there can be no assurance that the Legislature or a court might not interpret Proposition 98 to require a different percentage of State General Fund revenues to be allocated to K-14 districts, 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, some fiscal observers expect Proposition 98 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 XIIIB spending limit would restrain the State ability to fund such other programs by raising taxes.

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimums under the first test and the second test described above are dependent on State General Fund revenues. In several recent fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimums.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010.

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

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding California Assembly Bill x1 26 to be constitutional and California Assembly Bill x1 27 to be unconstitutional. As a result, all redevelopment agencies in California were dissolved on February 1, 2012, and the property tax revenue which previously flowed to the redevelopment agencies is now instead going to other local governments, including school districts. It is likely that the dissolution of redevelopment agencies has mooted the effects of Proposition 22.

Proposition 30 and Proposition 55

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

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

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for K-14 school districts. See "– Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to K-12 school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

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

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

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

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

California Senate Bill 222

On July 13, 2015, the Governor signed Senate Bill 222 ("SB 222") into law, effective January 1, 2016. SB 222 was introduced on February 12, 2015, initially to amend Section 15251 of the California Education Code to clarify the process of lien perfection for general obligation bonds issued by or on behalf of California school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include an addition to the California Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts, including the District.

SB 222, applicable to general obligations bonds issued after its effective date, will remove the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future ad valorem property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

Kindergarten Through Community College Public Education Facilities Bond Act of 2016

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities. The District makes no guarantee that it will either pursue or qualify for Proposition 51 state facilities funding.

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

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

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

PROPOSITION 51
Use of Bond Funds
(In Millions)

K-12 Public School Facilities	
New construction	$3,000
Modernization	3,000
Career technical education facilities	500
Charter school facilities	500
Subtotal	$7,000
Community College Facilities	$2,000
Total	$9,000

Jarvis v. Connell

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, and Propositions 22, 26, 30, 39, 46, 98, 111 and 1A were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting school districts' revenues or such districts' ability to expend revenues.

There can be no assurance that the California electorate will not at some future time adopt other initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State of California resulting in a reduction of amounts legally available to the District.

STATE OF CALIFORNIA FISCAL ISSUES

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

General Overview

Recent Financial Stress on State Budget. In 2008, the State began experiencing the most significant economic downturn and financial pressure since the Great Depression of the 1930s. Despite the recent significant budgetary improvements, according to the State, there remain a number of major risks and pressures that threaten the State's financial condition, including the threat of recession, potential changes to federal fiscal policies and large unfunded liabilities now totaling in excess of $200 billion for PERS, STRS, the University of California ("UC") Retirement System and the State's and UC's retiree healthcare benefits plans. The State's revenues (particularly the personal income tax) can be volatile and correlate to overall economic conditions. There can be no assurances that the State will not face fiscal stress and cash pressures again, or that other changes in the State or national economies will not materially adversely affect the financial condition of the State.

Cash Management by State and Impact on Schools. To conserve cash in light of declining revenues resulting from the last recession, the State enacted several statutes deferring the payment of amounts owed to public schools, until a later date in the current, or in a subsequent, fiscal year. This technique was used in all of the State's budget bills from fiscal year 2008-2009 through fiscal year 2012-13. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year. These deferrals reduced amounts paid to K-12 districts and resulted in deferred payments that at one point totaled more than $10 billion. These deferrals also created cash flow shortages for certain K-12 districts which required an increased level of cash flow borrowings. In fiscal years 2013-14 and 2014-15, the State repaid the majority of these deferrals and the remaining $992 million was repaid in fiscal year 2015-16.

School Reserves – Senate Bill 858 (Stats. 2014, Chapter 32) ("SB 858"), trailer legislation to the 2014-15 State budget, creates new disclosure requirements effective beginning fiscal year 2015-16 for school districts that have general fund reserves in excess of the State minimum. Existing minimum reserve levels vary between one to five percent of general fund expenditures, depending on the size of the district, and generally require higher reserves for smaller school districts. SB 858 requires school districts to identify amounts in excess of their required reserves and explain the need for higher levels. This information must be disclosed at a public meeting and in each budget submitted to a county office of education. The LAO indicates that available data shows that virtually all school districts maintain excess reserves. As a result of the passage of Proposition 2 (discussed above), certain additional provisions of SB 858 have gone into effect that will cap school district reserve levels. Reserves will be capped in any fiscal year following a State deposit into the PSSSA created by Proposition 2. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2." Caps for most school districts will range between three to ten percent of annual general fund expenditures. SB 858 permits a county office of education to grant an exemption from the reserve cap for up to two years if a school district demonstrates that it would face extraordinary fiscal circumstances justifying a higher reserve.

2018-19 State Budget

On June 27, 2018, the Governor signed into law the State budget for fiscal year 2018-19 (the "2018-19 Budget"). The following information is drawn from the LAO's preliminary review of the 2018-19 Budget.

To protect against potential future economic recessions, the 2018-19 Budget fully funds the BSA with a total deposit of over \$4.4 billion, including a \$2.6 billion optional deposit in addition to the Constitutionally-required deposit, and adds two additional reserves to State law: the Safety Net Reserve Fund, intended to save money specifically for future expenditures of the CalWORKs and Medi-Cal programs; and the Budget Deficit Savings Account ("BDSA"), which for 2018-19 will temporarily hold the \$2.6 billion optional BSA deposit until May 2019. In May 2019, the optional BSA deposit amount will be adjusted as necessary to reflect updated estimates of revenues, at which point it will be transferred to the BSA. The projected ending balance in the BSA at the end of the 2018-19 fiscal year is expected to equal the BSA's current constitutional maximum of 10 percent of the estimated general fund revenues for fiscal year 2018-19.

For fiscal year 2017-18, the 2018-19 Budget projects total general fund revenues and transfers of \$129.8 billion and total expenditures of \$127.0 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of \$16.7 billion, including \$7.3 billion in the traditional general fund reserve and \$9.4 billion in the BSA. For fiscal year 2018-19, the 2018-19 Budget projects total general fund revenues of \$133.3 billion and authorizes expenditures of \$138.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of \$15.9 billion, including \$2.0 billion in the traditional general fund reserve, \$13.8 billion in the BSA and \$200 million in the Safety Net Reserve Fund. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the 2018-19 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2016-17 and 2017-18, as a result of higher general fund revenues. The 2018-19 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at \$71.6 billion, an increase of \$252 million from the prior fiscal year. The 2018-19 Budget revises the minimum funding guarantee for fiscal year 2017-18 at \$75.6 billion, reflecting an increase of \$1.1 billion from the prior fiscal year. As part of the 2017-18 increase, the State is making an additional maintenance factor payment of \$789 million, on top of a previous \$536 million payment. After making the approximately \$1.3 billion total payment, the State will have eliminated all remaining maintenance factor for the first time since fiscal year 2005-06. In both fiscal years 2016-17 and 2017-18, the State is spending at the calculated minimum guarantee.

For fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at $78.4 billion, reflecting an increase of $2.8 billion (or 3.7%) from the revised prior-fiscal year level. Fiscal year 2018-19 is projected to be a "Test 2" year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to K-12 education, the 2018-19 Budget sets Proposition 98 funding at $67.9 billion, including $47.5 billion from the State general fund, reflecting an increase of $1.3 billion (or 2.7%) from the prior fiscal year. Per-pupil spending increases by $579 (or 5.2%) from the prior fiscal year, up to $11,640.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $3.7 billion in Proposition 98 funding to fully implement the LCFF, reaching the target funding targets and funding the statutory 2.71% COLA to the adjusted Base Grants for the prior fiscal year. Additionally, the 2018-19 Budget provides nearly an extra 1 percentage point increase in the LCFF rates.

- *Low-Performing Students Block Grant* – $300 million in one-time Proposition 98 funding to provide resources to local education agencies to help certain low-performing students, with funding allocated to local education agencies based on the count of students who did not meet statewide standards in spring 2018 on assessments of reading and math and who are not foster youth, low-income students, English learners, or students with disabilities.

- *State System of Support* – An increase of $54 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *California Collaborative for Educational Excellence* – $12 million in ongoing Proposition 98 funding for the California Collaborative for Educational Excellence (the "Collaborative") to assist county offices of education and regional lead agencies. Additionally, the 2018-19 Budget re-appropriates $5.6 million from prior-fiscal year one-time Proposition 98 appropriations for use by the Collaborative for additional statewide trainings and technical assistance.

- *Special Education Local Plan Area (SELPA) Technical Assistance* – $10 million in Proposition 98 funding for up to ten SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance within the Statewide system of support.

- *Career Technical Education (CTE)* – $164 million in ongoing Proposition 98 funding to create a new K-12 CTE program funded through the Strong Workforce Program, which is administrated by California Community College Chancellor's Office, in consultation with the State Department of Education, as well as $150 million in ongoing Proposition 98 funding to make permanent the State's Career Technical Education Incentive Grant Program.

- *One-Time Discretionary Funding* – An increase of $1.1 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds would offset any applicable mandate reimbursement claims for these entities.

- *Special Education, Bilingual, and STEM Teachers* – $75 million in one-time Proposition 98 funding to start new or expand existing teacher residency programs with $50 million earmarked for special education teachers and $25 million earmarked for bilingual and STEM teachers; and $50 million in one-time Proposition 98 funding to provide one-time competitive grants to local educational agencies to fund new or existing local efforts to recruit and retain special education teachers.

- *Classified School Employee Summer Assistance Program* – $50 million one-time Proposition 98 funding to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the 2019-20 school year, supplemented by State funding, and paid during the summer recess period.

- *Classified School Employee Professional Development Block Grant Program* – $50 million one-time Proposition 98 funding for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.

- *Federal Funds for Academic Enrichment* – $165 million one-time federal ESSA Title IV funding for academic enrichment, with $121 million of such funds distributed to local education agencies based on their share of existing Title I funding, and the remainder distributed competitively.

- *Charter School Facility Grant Program* – $21 million one-time and $25 million ongoing Proposition 98 funding to reflect increases in programmatic costs.

- *Kids Code After School Program* – $15 million one-time Proposition 98 funding to fund the inclusion of computer coding in after-school curriculum.

- *Fiscal Crisis and Management Assistance Team (FCMAT)* – $972,000 Proposition 98 funding to allow FCMAT provide additional assistance for fiscally distressed school districts and provide additional training for county offices of education regarding fiscal oversight of school districts.

- *Kindergarten Facilities* – $100 million one-time non-Proposition 98 general fund funding to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs.

For additional information regarding the 2018-19 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Proposed 2019-20 State Budget

On January 10, 2019, the Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 Budget"). The following information is drawn from the State Department of Finance's summary of the Proposed 2019-20 Budget.

For fiscal year 2018-19, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $136.9 billion and total expenditures of $144.1 billion. The State is projected to end fiscal year 2018-19 with total available general fund reserves of $18.3 billion, including $3.9 billion in the traditional general fund reserve, $13.5 billion in the BSA and $900 million in the Safety Net Reserve fund. For fiscal year 2019-20, the Proposed 2019-20 Budget projects total general fund revenues of $142.6 billion and authorizes expenditures of $144.2 billion. The State is projected to end fiscal year 2019-20 with total available general fund reserves of $18.5 billion, including $2.3 billion in the traditional general fund reserve, $15.3 billion in the BSA and $900 million in the Safety Net Reserve fund. The Governor notes that additional deposits to the BSA are premised on a recent opinion by the California Office of Legislative Counsel which concluded that supplemental payments made in prior fiscal years do not count towards calculating the BSA's constitutional maximum of 10%. The Proposed 2019-20 Budget assumes moderate growth over the forecast period but observes that even a moderate recession would result in a nearly $70 billion revenue loss and a $40 billion budget deficit over three years and that maintaining a balanced budget under the moderate recession scenario would be a challenge. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the Proposed 2019-20 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2017-18 and 2018-19, as a result of lower-than-anticipated ADA and a year-to-year decline in State general fund revenue growth. The Proposed 2019-20 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2017-18 at $75.5 billion, a decrease of $120.1 million from the prior year. The Proposed 2019-20 Budget revises the minimum funding guarantee for fiscal year 2018-19 at $77.9 billion, reflecting a decrease of $525.7 million from the prior year. Notwithstanding these decreases, the Proposed 2019-20 Budget maintains level funding for K-14 education in these years by maintaining a $44 million over-appropriation to the fiscal year 2017-18 minimum guarantee and using settle-up payments to offset otherwise unfunded obligations in fiscal year 2018-19.

For fiscal year 2019-20, the Proposed 2019-20 Budget sets the minimum funding guarantee at $80.7 billion, reflecting an increase of $2.8 billion from the revised prior-year level. Fiscal year 2019-20 is projected to be a “Test 3” year. With respect to K-12 education, ongoing per-pupil spending is set at $12,003, reflecting an increase of $435 from the prior year.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% COLA, and bringing total LFCC funding to $63 billion.

- *Categorical Programs* – An increase of $187 million in Proposition 98 funding to support a 3.46% COLA for categorical programs that remain outside the LCFF.

- *Pension Costs* – A $3 billion, one-time payment from non-Proposition 98 funds to CalSTRS, to reduce long-term liabilities for K-14 school districts. Of this amount, $700 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining $2.3 billion would be paid towards employers’ long-term unfunded liability.

- *State System of Support* – An increase of $20.2 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *Special Education* – $576 million in Proposition 98 funding (of which $186 million is one-time) to support expanded special education services and school readiness supports at local educational agencies with high percentages of both disabled students and unduplicated students that are low-income, youth in foster care or English language learners.

- *Preschool* – $125 in non-Proposition 98 funding to increase access to subsidized full-day, full-year State preschool for four year old children in fiscal year 2019-20. The Proposed 2019-20 Budget also provides for an increase of $26.8 million in Proposition 98 funding to reflect the full-year cost of full-day preschool slots implemented during the prior fiscal year.

- *Kindergarten Facilities* – an increase of $750 million in one-time non-Proposition 98 funding to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs.

- *County Offices of Education* – An increase of $9 million in Proposition 98 funding for county offices of education, reflecting a 3.46% COLA and ADA changes applicable to the LCFF.

- *Proposition 51* – a total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

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

Fiscal Year 2019-20 May Revision

On May 9, 2019, the Governor released the May Revision to the Proposed 2019-20 Budget (the "May Revision"). The following information is drawn from the State Department of Finance's summary of the May Revision. While the May Revision projects an additional $3.2 billion in short-term revenues, the projected budget surplus remains relatively unchanged as most of the increased revenues are required to be applied to increase reserves, debt repayment and schools. The May Revision projects a balance of $16.5 billion in the BSA at the end of fiscal year 2019-20.

The May Revision projects total K-14 Proposition 98 funding of $75.6 billion in 2017-18, $78.1 billion in 2018-19 and $81.1 billion in 2019-20. Relative to the Proposed 2019-20 Budget, Proposition 98 funding is up by $278.8 million in fiscal year 2018-19 and $389.3 in fiscal year 2019-20. These increases are due largely to projected increases in general fund revenues above the Proposed 2019-20 Budget of $2 billion in fiscal year 2018-19 and $1.6 billion in fiscal year 2019-20, an increase in the minimum funding level for fiscal year 2017-18 and a slightly slower decline in average daily attendance than projected in the Proposed 2019-20 Budget. The May Revision also projects that for the first time a deposit of $389.3 million to the Public School System Stabilization Account established by Proposition 2 in 2014 will be required. Deposits to the Account can be spent in fiscal years where the minimum Proposition 98 funding level is not sufficient to fund the prior fiscal year level adjusted for growth and inflation.

The May Revision increases the proposed one-time payment from non-Proposition 98 funds to STRS by $150 million to $3.15 billion to reduce the employer contribution rate for school districts in fiscal year 2019-20 from 18.13% to 16.7%. Other changes in the May Revision are to increase special education funding by $119.1 million and add $44.8 million one-time non-Proposition 98 funding for training and resources for classroom teachers and paraprofessionals.

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

Future Actions

The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls or changes in funding formulas in future fiscal years may also have an adverse financial impact on the financial condition of the District.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos ("Matosantos"), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in Matosantos also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—

Proposition 1A and Proposition 22." ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide.

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

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

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

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

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

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

LEGAL MATTERS

Tax Matters

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

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

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Series E Bonds (including any original issue discount) is based upon certain representations of fact and certifications made by the District, the Underwriter and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Series E Bonds to assure that interest on the Series E Bonds (including any original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Series E Bonds (including any original issue discount) to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series E Bonds. The District will covenant to comply with all such requirements.

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

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

SUBSEQUENT TO THE ISSUANCE OF THE SERIES E BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE SERIES E BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES E BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES E BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES E BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE SERIES E BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES E BONDS.

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

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

A copy of the proposed form of opinion of Bond Counsel for the Series E Bonds is attached in Appendix A.

Legality for Investment in California

Under provisions of the California Financial Code, the Series E Bonds are legal investments for commercial banks in California to the extent that the Series E 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, are eligible for security for deposits of public moneys in the State.

No Litigation

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

In the opinion of the District, there are no claims or lawsuits pending against the District that will materially adversely affect the finances of the District.

CONTINUING DISCLOSURE

In connection with the issuance of the Series E Bonds, the District will covenant for the benefit of bondholders (including Beneficial Owners of the Series E Bonds) to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than the last day of the eighth month following the end of the District's fiscal year (which currently ends June 30), commencing with the report for fiscal year 2018-19, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of enumerated events will be filed by the District in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Reports or the notices of enumerated events is included in Appendix C—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Within the last five years, there have been instances in which the District has failed to comply with its previous undertakings under the Rule as described below. The District timely filed its annual report for fiscal year 2013-14 for its Election of 2008 General Obligation Bonds, Series C but did not link the annual report and audited financial statements by CUSIP number to this bond issue until November 3, 2015, without timely notice of late filing with respect to this issue. Additionally, for the District's Election of 2008 General Obligation Bonds Series D and 2015 General Obligation Refunding Bonds (Election of 2000, Series 2005C), the fiscal year 2013-14 annual report was to consist of the official statement pertaining to such bonds. The official statement was filed on EMMA in advance of the February 28, 2015 due date for such annual report but not specifically linked to the continuing disclosure section on EMMA relating to such bonds until November 20, 2015. The District did not file a notice of the failure to link the official statement to the continuing disclosure section. The District did not timely file the annual reports and audited financial statements for fiscal year 2014-15 due under its prior continuing disclosure undertakings. The annual reports and audited financial statements were filed on April 12, 2016 for all series of bonds. The annual report for fiscal year 2015-16 was timely filed on January 30, 2017; however, the information for one of the tables was incorrect at the time of such filing and the correct information was not filed until August 24, 2017.

In calendar years 2014 and 2017, the District failed to timely file a number of notices regarding insured and underlying rating changes that related to some of the District's outstanding indebtedness. In addition, the District did not timely file notices of defeasance with respect to two series of bonds. The District has since filed these rating change notices and notices of defeasance.

The District has retained a third party consultant to assist with its continuing disclosure filings going forward.

MISCELLANEOUS

Rating

Moody's Investor's Service, Inc. ("Moody's") has assigned the ratings of "Aa3" to the Series E Bonds. The rating reflects only the views of such organization and an explanation of the significance of such rating may be obtained from Moody's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any rating for the Series E Bonds will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by a rating agency, 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 E Bonds.

Underwriting

The Series E Bonds are being purchased for reoffering by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Series E Bonds pursuant to a Bond Purchase Contract with the District (the "Contract of Purchase") at the initial purchase price of $__________ (being equal to the aggregate principal amount of the Series E Bonds, less an Underwriter's discount of $__________, [plus] an original issue [premium] of $__________). The Contract of Purchase provides that the Underwriter will purchase all of the Series E Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase. The Underwriter may offer and sell the Series E Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

Audited Financial Statements

The District's audited financial statements for fiscal year 2017-18 included in this Official Statement have been audited by Vavrinek, Trine, Day & Co., LLP, Rancho Cucamonga, California (the "Auditor"), independent auditors. Attention is called to the scope limitation described in the Auditor's report accompanying the financial statements. The Auditor has not been requested to consent to the inclusion of its report in this Official Statement. The Auditor has not undertaken to update the audited financial statements for fiscal year 2017-18 or its report, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated December 11, 2018. See Appendix B—"DISTRICT'S 2017-18 AUDITED FINANCIAL STATEMENTS" herein.

Financial Interests

The fees being paid to the Underwriter, Bond Counsel, Underwriter's Counsel and the District's Municipal Advisor are contingent upon the issuance and delivery of the Series E Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series E Bonds.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series E Bonds. Quotations from and summaries and explanations of the Series E 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 Series E Bond Owner may obtain copies of reports relating to the Series E Bonds, as available, from the District at 390 North Euclid Avenue, Upland, California 91786. The District may impose a charge for copying, mailing and handling.

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

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

UPLAND UNIFIED SCHOOL DISTRICT

By: ______________________________

Superintendent

APPENDIX A

FORM OF OPINION OF BOND COUNSEL FOR THE SERIES E BONDS

On the date of issuance of the Series E Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to issue its approving opinion relating to the Series E Bonds in substantially the following form:

[Closing Date]

Honorable Members of the Board of Education
Upland Unified School District
Upland, California

Re: $__________ Upland Unified School District (San Bernardino County, California) Election of 2008 General Obligation Bonds, Series E

Dear Honorable Members of the Board of Education:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the Upland Unified School District (the "District") taken in connection with the authorization and issuance of the District's Election of 2008 General Obligation Bonds, Series E, in the aggregate principal amount of $__________ (the "Series E Bonds"), and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the County of San Bernardino (the "County"), the District, the initial purchaser of the Series E Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Series E Bonds have been issued by the District pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, a vote of the qualified electors of the District voting at an election held on February 5, 2008 and pursuant to a resolution adopted by the Board of Education of the District on February 26, 2019 (the "Bond Resolution"), and a resolution adopted by the Board of Supervisors of the County on July 23, 2002.

The Series E Bonds mature on the dates and in the amounts authorized in the Bond Resolution. The Series E Bonds are dated their date of delivery and bear interest payable semiannually on each February 1 and August 1, commencing August 1, 2019, at the rates per annum authorized in the Bond Resolution. The Series E Bonds are registered bonds as set forth in the Bond Resolution.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Series E Bonds have been duly and validly authorized and constitute legal, valid and binding obligations of the District enforceable in accordance with the terms of the Bond Resolution, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by limitations on legal remedies against public agencies in the State of California. The Series E Bonds are obligations of the District but are not a debt of the County, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and neither the faith and credit nor the taxing power of the County, the State of California, or any such political subdivisions is pledged for the payment thereof.

(2) The Bond Resolution has been duly adopted by the Board of Education of the District and constitutes the legal, valid and binding obligation of the District. The Bond Resolution is enforceable in accordance with its terms except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by limitations on legal remedies against public agencies in the State of California, provided, however, we express no opinion as to the enforceability of provisions of the Bond Resolution as to indemnification, penalty, contribution, choice of law, choice of forum or waiver contained therein.

(3) The Series E Bonds are secured by the proceeds of *ad valorem* taxes levied upon taxable property in the District which the Board of Supervisors of the County has the power to levy and is obliged by statute to levy without limit as to rate or amount (except as to certain personal property which is taxable at limited rates) for payment of the Series E Bonds and the interest thereon.

(4) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Series E Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

(5) Interest (and original issue discount) on the Series E Bonds is exempt from State of California personal income tax.

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

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

The opinions expressed in paragraphs (4) and (6) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series E Bonds are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Series E Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series E Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series E Bonds. The District has covenanted to comply with all such requirements. Except as set forth in paragraphs (4), (5), (6) and (7) above, we express no opinion as to any tax consequences related to the Series E Bonds.

Certain agreements, requirements and procedures contained or referred to in the Bond Resolution and the Tax Certificate executed by the District with respect to the Series E Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax exempt obligations. We express no opinion as to the effect on exclusion from gross income for federal income tax purposes of the interest (and original issue discount) on any Series E Bond if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

The opinions expressed herein and the exclusion of interest on the Series E Bonds from gross income for federal income tax purposes may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the District terminates upon the issuance of the Series E Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Series E Bonds or other offering material relating to the Series E Bonds and expressly disclaim any duty to advise the owners of the Series E Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

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APPENDIX B

DISTRICT'S 2017-18 AUDITED FINANCIAL STATEMENTS

UPLAND UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

UPLAND UNIFIED SCHOOL DISTRICT

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Governing Board
Upland Unified School District
Upland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upland Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Upland Unified School District, as of June 30, 2018, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, budgetary comparison schedule on page 70, schedule of changes in the District's total OPEB liability and related ratios on page 71, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 72, schedule of the District's proportionate share of the net pension liability on page 73, and the schedule of District contributions on page 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upland Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018, on our consideration of the Upland 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 Upland 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 Upland Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 11, 2018

Upland Unified School District
390 N. Euclid Avenue
Upland, CA 91786-4763
www.upland.k12.ca.us
(909) 985-1864

This section of Upland 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, 2018, with comparative information for the year ending June 30, 2017. 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. The District reports all activities as governmental activities. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and 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*, all the District's activities are as follows:

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, and Community Facilities District's Debt Service. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(84,558,720) for the fiscal year ended June 30, 2018. Of this amount, $(127,954,020) 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	
	2018	2017, as restated
Assets		
Current and other assets	$ 48,028,948	$ 43,556,095
Capital assets	118,920,934	121,642,763
Total Assets	**166,949,882**	**165,198,858**
Deferred Outflows of Resources	**51,856,213**	**42,668,807**
Liabilities		
Current liabilities	13,246,732	13,244,546
Long-term obligations	158,721,138	150,207,491
Aggregate net pension liability	119,514,539	111,496,630
Total Liabilities	**291,482,409**	**274,948,667**
Deferred Inflows of Resources	**11,882,406**	**3,504,477**
Net Position		
Net investment in capital assets	19,795,479	28,116,480
Restricted	23,599,821	15,819,839
Unrestricted	(127,954,020)	(114,521,798)
Total Net Position	**$ (84,558,720)**	**$ (70,585,479)**

The $(127,954,020) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The District continues to have a significant decrease in unrestricted net position as a direct result of the implementation of GASB Statement No. 68, discussed further in Note 12.

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 17. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 2,113,325	$ 1,819,953
Operating grants and contributions	18,858,191	19,278,377
Capital grants and contributions	36,388	25,830
General revenues:		
Federal and State aid not restricted	72,714,009	72,864,020
Property taxes	31,376,516	29,637,709
Other general revenues	7,206,783	3,075,937
Total Revenues	**132,305,212**	**126,701,826**
Expenses		
Instruction-related	100,912,930	98,258,653
Pupil services	13,042,714	12,903,712
Administration	4,516,954	5,016,862
Plant services	10,062,819	10,932,922
Other	17,743,036	15,324,087
Total Expenses	**146,278,453**	**142,436,236**
Change in Net Position	**$ (13,973,241)**	**$ (15,734,410)**

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was $146,278,453. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $31,376,516 because the cost was paid by those who benefited from the programs ($2,113,325) or by other governments and organizations who subsidized certain programs with grants and contributions ($18,894,579). We paid for the remaining "public benefit" portion of our governmental activities with $79,920,792 in Federal and State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction related, pupil services, administration, plant services, and other. 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	
	2018	2017	2018	2017
Instruction related	$ 100,912,930	$ 98,258,653	$ 87,231,861	$ 83,997,195
Pupil services	13,042,714	12,903,712	7,509,792	7,529,737
Administration	4,516,954	5,016,862	4,344,118	4,815,182
Plant services	10,062,819	10,932,922	9,782,056	10,712,259
Other	17,743,036	15,324,087	16,402,722	14,257,703
Total	**$ 146,278,453**	**$ 142,436,236**	**$ 125,270,549**	**$ 121,312,076**

The District notes a decrease in Net Position of $13,973,241.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $35,698,664, which is an increase of $4,520,813 from last year (Table 4).

Table 4

	Balances and Activity			
	June 30, 2017	Revenues	Expenditures	June 30, 2018
General Fund	$ 15,158,197	$ 118,673,677	$ 121,311,603	$ 12,520,271
Capital Facilities Fund	3,702,555	1,324,944	14,630	5,012,869
Bond Interest and Redemption Fund	6,578,714	20,285,287	12,695,369	14,168,632
Adult Education Fund	510,503	437,942	354,586	593,859
Cafeteria Fund	957,573	4,835,675	4,989,475	803,773
Building Fund	4,178,588	12,046	1,684,041	2,506,593
County School Facilities Fund	56,279	36,388	-	92,667
Special Reserve Fund for Capital Outlay Projects	35,442	-	35,442	-
Total	**$ 31,177,851**	**$ 145,605,959**	**$ 141,085,146**	**$ 35,698,664**

The primary reasons for the changes in fund balance are the following:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased from $15.2 million to $12.5 million. This decrease is due to:
    a. Increased STRS and PERS Costs
    b. Expenditures using one-time monies

b. Our Cafeteria Fund remained fairly stable from the prior year showing a net decrease of approximately $0.15 million

c. Our Capital Facilities Fund increased from the prior year showing a net increase of $1.31 million.

d. Our Building Fund decreased $1.67 million as a result of capital outlay expenditures towards voter approved projects.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to adjust for changes in revenues and expenditures. The final amendment to the budget was adopted in June, 2018. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 70).

On June 27, 2013, Governor Jerry Brown signed the State Budget Act, Assembly Bill (AB) 110 (Chapter 20/Statutes 2013); and subsequently signed the Education Trailer Bill, AB86 (Chapter 48/Statutes 2013); Local Control Funding Formula, AB 97 (Chapter 47/Statutes 2013); Amendments to AB 97, Senate Bill (SB) 91 (Chapter 49/Statues 2013); and Proposition 39 Implementation, SB73 (Chapter 29/Statutes 2013).

The cornerstone of this budget is the approval of the "Local Control Funding Formula" (LCFF). This formula establishes a base grant funding with supplemental and concentration add-ons for English Learners (EL), free and reduced price meal eligible students, and foster youth students, and provides additional funding for K-3 Class Size Reduction (CSR), Grades 9-12, Home-to-School Transportation, and the Targeted Instructional Improvement Grant (TIIG). The LCFF contains a Hold Harmless provision that guarantees minimum funding at the 2012-2013 revenue limit and categorical funding level. The transition from the existing funding system of revenue limits into a new more locally controlled funding formula is complex and the fiscal impact has been unique to each district.

The elements of the Local Control Funding Formula provide for base grants that are based on undeficited statewide revenue limit averages by grade span. The base grant would increase annually by the cost of living adjustment (COLA). The base grant rates for 2017-2018 are for K-3 $7,193, Grades 4-6 $7,301, Grades 7-8 $7,518 and Grades 9-12 $8,712. The formula also provides augmentation grants for grades K-3 CSR and grades 9-12. The K-3 CSR augmentation is 10.4 percent of the K-3 base grant, which is estimated to be $748 per ADA for 2017-2018. In order to be eligible for the augmentation funds the district must make incremental progress annually towards a site average daily class size of 24:1 by 2020-2021. The class size requirement is not subject to a waiver by the State Board of Education and all districts are required to maintain 24:1 ratio unless a locally bargained alternative ratio is agreed upon. The grades 9-12 augmentation is 2.6 percent of the 9-12 base grant amount and estimated at $227 per ADA for 2017-2018.

A major component of the funding is that the LCFF establishes a target funding amount for each district. The State anticipates that it will take eight years to reach the targeted funding level, it anticipates to be fully funded by 2020-2021. However, there is no statutory requirement to fund future years' funding (increase in funding) and districts are completely dependent on the State's ability to fund the increase.

A major focus of the State Budget Act was to provide increased funding for students that are economically disadvantaged or English Learners. The Supplemental and Concentration Grants provide additional funding for the unduplicated count of students identified as qualifying for free and reduced price meals, English Learners, and foster youth. The supplemental grant provides an additional 20 percent of the Base Grant multiplied by the total unduplicated count percentage. The concentration grant provides additional funding for districts with unduplicated count percentages greater than 55 percent. The grant provides 50 percent of the base grant multiplied by the unduplicated count in excess of 55 percent.

Although the LCFF intends to allow more flexibility in allocating resources to meet local needs, schools districts are held accountable for academic and fiscal outcomes. Starting in 2014-2015 school districts were required to adopt a Local Control Accountability Plan (LCAP) for the use of the supplemental and concentration grant funds. Although the funds are considered "unrestricted" the State is mandating that they be targeted for use with the population that the funds are intended for. The District will be required to have an LCAP approved by July 1, annually. The plan is effective for three years and needs to be reviewed annually.

Upland Unified School District has responded to the new LCFF funding model and its requirements by working closely with all District stakeholders to review programmatic needs and allocate resources that align to student needs and district priorities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $118,920,934 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $2,721,829, or 2.24 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2018	2017
Land and construction in progress	$ 7,925,058	$ 8,026,653
Buildings and improvements	103,887,376	105,310,477
Equipment	7,108,500	8,305,633
Total	**$ 118,920,934**	**$ 121,642,763**

The District engaged in marginal construction activity and experienced an overall decrease in capital assets, with current year depreciation outpacing capital asset additions.

We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $158,721,138 in debt outstanding versus $150,207,491 last year, an increase of 5.67 percent. Debt consisted of:

Table 6

	Governmental Activities	
	2018	2017, as restated
General obligation bonds (financed with property taxes)	$ 130,435,219	$ 122,503,553
Net other postemployment benefits (OPEB) liability	27,625,611	27,109,431
Compensated absences	660,308	594,507
Total	**$ 158,721,138**	**$ 150,207,491**

The District's general obligation bond rating continues to be an "AA3 Rating." The State limits the amount of general obligation debt that districts can issue. The District's outstanding general obligation debt is significantly below this statutorily-imposed limit.

Other obligations include compensated absences payable, net other postemployment benefits (OPEB) liability (not including health benefits) and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of $119,514,539 as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Thus, the District has recorded its proportionate share of the net pension liability for CalSTRS and CalPERS.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-18 ARE NOTED BELOW:

Facility Highlights

- Playground resurfacing at various elementary sites
- Health Academy renovation
- Prop 39 lighting upgrades at various school sites
- Bleacher renovation at Upland High School
- Track resurfacing at Upland High School

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-2019 year, the District board and management used the following criteria:

The key assumptions in the District's revenue forecast are the following:

1. Revenues will continue to decrease due to declining enrollment.
2. Funded COLA of 3% and 100% GAP Funding
3. Unduplicated Pupil Percentage (UPP) of 56.12%

The key assumptions in the District's expenditure forecast are the following:

1. Expenditures will increase in accordance with increases in employer contributions for employee retirement programs (STRS/PERS).
2. Projected enrollment of 10,812 with following contracted teacher/student ratios:

TK through third	24:1
Fourth through sixth	29:1
Seventh through Twelfth	33:1

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Upland Unified School District, 390 North Euclid Avenue, Upland California, 91786 or e-mail at harold_sullins@upland.k12.ca.us.

UPLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 42,968,939
Receivables	4,777,188
Prepaid expenses	85,568
Stores inventories	197,253
Capital assets	
Capital assets not depreciated	7,925,058
Depreciable capital assets, net of accumulated depreciation	110,995,876
Total Capital Assets	118,920,934
Total Assets	166,949,882
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	4,991,254
Deferred outflows of resources related to pensions	46,864,959
Total Deferred Outflows of Resources	51,856,213
LIABILITIES	
Accounts payable	12,294,349
Interest payable	916,448
Unearned revenue	35,935
Long-term obligations:	
Current portion of long-term obligations other than pensions	4,230,000
Noncurrent portion of long-term obligations other than pensions	154,491,138
Total Long-term Obligations	158,721,138
Aggregate net pension liability	119,514,539
Total Liabilities	291,482,409
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	802,318
Deferred inflows of resources related to pensions	11,080,088
Total Deferred Inflows of Resources	11,882,406
NET POSITION	
Net investment for capital assets	19,795,479
Restricted for:	
Debt service	13,252,184
Capital projects	5,105,536
Educational programs	3,867,044
Other activities	1,375,057
Unrestricted	(127,954,020)
Total Net Position	$ (84,558,720)

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

UPLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 88,038,038	$ 4,498	$ 12,205,560	$ 36,388	$ (75,791,592)
Instruction-related activities:					
Supervision of instruction	5,109,960	-	1,111,032	-	(3,998,928)
Instructional library, media, and technology	628,253	-	8,399	-	(619,854)
School site administration	7,136,679	-	315,192	-	(6,821,487)
Pupil services:					
Home-to-school transportation	2,460,689	-	-	-	(2,460,689)
Food services	4,972,517	1,054,431	3,572,365	-	(345,721)
All other pupil services	5,609,508	-	906,126	-	(4,703,382)
Administration:					
Data processing	790,797	-	-	-	(790,797)
All other administration	3,726,157	-	172,836	-	(3,553,321)
Plant services	10,062,819	91,269	189,494	-	(9,782,056)
Facility acquisition and construction	717,224	-	-	-	(717,224)
Ancillary services	597,830	-	18,083	-	(579,747)
Community services	1,605,789	-	212,982	-	(1,392,807)
Interest on long-term obligations	6,381,112	-	-	-	(6,381,112)
Other outgo	1,561,151	963,127	146,122	-	(451,902)
Depreciation (unallocated)[1]	6,879,930	-	-	-	(6,879,930)
Total Governmental Activities	$ 146,278,453	$ 2,113,325	$ 18,858,191	$ 36,388	(125,270,549)
	General revenues and subventions:				
	Property taxes, levied for general purposes				24,625,455
	Property taxes, levied for debt service				5,749,833
	Taxes levied for other specific purposes				1,001,228
	Federal and State aid not restricted to specific purposes				72,714,009
	Interest and investment earnings				269,502
	Interagency revenues				90,231
	Miscellaneous				6,847,050
	Subtotal, General Revenues				111,297,308
	Change in Net Position				(13,973,241)
	Net Position - Beginning, as Restated				(70,585,479)
	Net Position - Ending				$ (84,558,720)

[1]This amount excludes any depreciation that is included in the direct expenses of the various programs.

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

UPLAND UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 18,930,130	$ 4,995,676	$ 14,168,632
Receivables	4,007,186	17,193	-
Due from other funds	1,372,120	-	-
Prepaid expenditures	85,568	-	-
Stores inventories	174,678	-	-
Total Assets	$ 24,569,682	$ 5,012,869	$ 14,168,632
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 12,002,500	$ -	$ -
Due to other funds	10,976	-	-
Unearned revenue	35,935	-	-
Total Liabilities	12,049,411	-	-
Fund Balances:			
Nonspendable	335,246	-	-
Restricted	3,867,044	5,012,869	14,168,632
Unassigned	8,317,981	-	-
Total Fund Balances	12,520,271	5,012,869	14,168,632
Total Liabilities and Fund Balances	$ 24,569,682	$ 5,012,869	$ 14,168,632

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

Non-Major Governmental Funds	Total Governmental Funds
$ 4,874,501	$ 42,968,939
752,809	4,777,188
10,976	1,383,096
-	85,568
22,575	197,253
$ 5,660,861	$ 49,412,044
$ 291,849	$ 12,294,349
1,372,120	1,383,096
-	35,935
1,663,969	13,713,380
22,575	357,821
3,974,317	27,022,862
-	8,317,981
3,996,892	35,698,664
$ 5,660,861	$ 49,412,044

UPLAND UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		**$ 35,698,664**
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	$ 229,533,306	
Accumulated depreciation is	(110,612,372)	
Net Capital Assets		118,920,934
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(916,448)
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		4,991,254
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	9,826,787	
Net change in proportionate share of net pension liability	13,671,647	
Difference between projected and actual earnings on pension plan investments	984,174	
Differences between expected and actual experience in the measurement of the total pension liability	1,356,011	
Changes of assumptions	21,026,340	
Total Deferred Outflows of Resources Related to Pensions		46,864,959
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(6,731,509)	
Difference between projected and actual earnings on pension plan investments	(2,425,303)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,588,313)	
Changes of assumptions	(334,963)	
Total Deferred Inflows of Resources Related to Pensions		(11,080,088)

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued)
JUNE 30, 2018

Deferred inflows of resources related to OPEB represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of amounts paid by the District for OPEB as the benefits come due subsequent to measurement date.		$ (802,318)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(119,514,539)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	$ (100,928,400)	
Unamortized premium on bonds	(5,923,845)	
Unamortized discount on bonds	228,943	
Compensated absences (vacations)	(660,308)	
Net other postemployment benefits (OPEB) liability	(27,625,611)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	(23,811,917)	
Total Long-Term Obligations		(158,721,138)
Total Net Position - Governmental Activities		**$ (84,558,720)**

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

UPLAND UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
REVENUES			
Local control funding formula	$ 92,998,727	$ -	$ -
Federal sources	5,470,912	-	-
Other State sources	12,532,498	-	42,023
Other local sources	7,671,540	1,324,944	5,900,704
Total Revenues	118,673,677	1,324,944	5,942,727
EXPENDITURES			
Current			
Instruction	81,211,703	-	-
Instruction-related activities:			
Supervision of instruction	4,751,922	-	-
Instructional library, media, and technology	589,936	-	-
School site administration	6,603,904	-	-
Pupil services:			
Home-to-school transportation	2,394,237	-	-
Food services	72,648	-	-
All other pupil services	5,148,525	-	-
Administration:			
Data processing	759,122	-	-
All other administration	3,570,851	-	-
Plant services	9,029,498	995	-
Ancillary services	559,083	-	-
Community services	1,424,145	-	-
Other outgo	1,561,151	-	-
Facility acquisition and construction	3,634,878	13,635	-
Debt service			
Principal	-	-	3,780,000
Interest and other	-	-	2,355,493
Total Expenditures	121,311,603	14,630	6,135,493
Excess (Deficiency) of Revenues Over Expenditures	(2,637,926)	1,310,314	(192,766)
Other Financing Sources (Uses)			
Other sources - proceeds from issuance of bonds	-	-	13,220,000
Other sources - premium on bond issuance			1,122,560
Other uses - discount on bond issuance	-		(237,863)
Other uses - payment to refunded bond escrow agent	-	-	(6,322,013)
Net Financing Sources (Uses)	-	-	7,782,684
NET CHANGE IN FUND BALANCES	(2,637,926)	1,310,314	7,589,918
Fund Balance - Beginning	15,158,197	3,702,555	6,578,714
Fund Balance - Ending	$ 12,520,271	$ 5,012,869	$ 14,168,632

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 92,998,727
3,426,748	8,897,660
730,109	13,304,630
1,165,194	16,062,382
5,322,051	131,263,399
236,164	81,447,867
-	4,751,922
-	589,936
25,011	6,628,915
-	2,394,237
4,773,473	4,846,121
-	5,148,525
-	759,122
-	3,570,851
708,673	9,739,166
-	559,083
93,411	1,517,556
-	1,561,151
1,226,812	4,875,325
-	3,780,000
-	2,355,493
7,063,544	134,525,270
(1,741,493)	(3,261,871)
-	13,220,000
	1,122,560
-	(237,863)
-	(6,322,013)
-	7,782,684
(1,741,493)	4,520,813
5,738,385	31,177,851
$ 3,996,892	$ 35,698,664

UPLAND UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds		**$ 4,520,813**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (6,879,930)	
Capital outlays	4,158,101	
Net Expense Adjustment		(2,721,829)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and special termination benefits (retirement incentives) 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). Vacation used was less than the amounts earned by $65,801. There were no special termination benefits paid this year.		(65,801)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(6,359,623)
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.		(1,318,498)
Proceeds received from general obligation refunding bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		(13,220,000)

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued)
FOR THE YEAR ENDED JUNE 30, 2018

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds		$ 9,390,000
Governmental funds report the effects of premium on issuance and deferred amount on a refunding when debt is first issued, whereas the amounts are deferred and amortized on the Statement of Activities. This amount is the net effect of these related items.		
Premium on issuance	$ (1,122,560)	
Discount on issuance	237,863	
Deferred charge on refunding	525,094	
Amortization of debt premium	842,931	
Amortization of debt discount	(8,920)	
Amortization of deferred charge on refunding	(571,585)	(97,177)
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the net result of two factors. First, accrued interest on long-term obligations increased by $50,146 and second, $4,050,980 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(4,101,126)
Change in Net Position of Governmental Activities		**$ (13,973,241)**

UPLAND UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	$ 63,080	$ 1,224,180
Stores inventories	-	35,418
Total Assets	63,080	$ 1,259,598
LIABILITIES		
Due to student groups	$ -	$ 954,464
Due to bondholders	-	305,134
Total Liabilities	-	$ 1,259,598
NET POSITION		
Reserved for scholarships	-	
Total Net Position	$ 63,080	

UPLAND UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Scholarship Trust
ADDITIONS	
Interest	$ 549
DEDUCTIONS	
Other expenditures	600
Change in Net Position	(51)
Net Position - Beginning	63,131
Net Position - Ending	$ 63,080

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Upland Unified School District (the District) was unified on July 1, 1987 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 ten elementary schools, two junior high schools, one comprehensive high school, a continuation high school, and an adult school.

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 Upland 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 units described below have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Community Facilities District No. 99-1 and Community Facilities District No. 01-1 (the CFDs) of the Upland Unified School District's financial activity is presented in the financial statements as an Agency Fund. The long-term obligations of the CFDs do not represent obligations of the District and thus are not included in the government-wide financial statements. Individually prepared financial statements are not available for the Corporation or CFDs.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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).

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

Non-Major Governmental Funds

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

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

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

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

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.

County School Facilities Fund The County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) 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).

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

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust funds are the Scholarship Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds account for student body activities (ASB) and the collection of special taxes for payments of non-obligatory debt required for the CFDs.

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the District and for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District allocates indirect expenses to functions in the *Statement of Activities*, except for depreciation. 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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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.

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

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

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

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

Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

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 assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2018, 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.

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 five percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $23,599,821 of restricted net position, which is restricted by enabling legislation.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of 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*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$	42,968,939
Fiduciary funds		1,287,260
Total Deposits and Investments	$	44,256,199

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	$	1,257,619
Cash in revolving		75,000
Investments		42,923,580
Total Deposits and Investments	$	44,256,199

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Maturity Date/ Average Maturity in Days
Federated U.S. Treasury Cash Reserve	$ 305,134	45
U.S. Treasury Notes	2,006	01/31/19
U.S. Treasury Notes	17,164	07/31/19
U.S. Treasury Notes	16,071	01/31/20
U.S. Treasury Notes	17,174	07/31/20
U.S. Treasury Notes	16,415	01/31/21
U.S. Treasury Notes	17,525	07/31/21
U.S. Treasury Notes	16,979	01/31/22
U.S. Treasury Notes	18,361	07/31/22
U.S. Treasury Notes	17,094	01/31/23
U.S. Treasury Notes	17,530	07/31/23
U.S. Treasury Notes	17,509	01/31/24
U.S. Treasury Notes	18,368	07/31/24
U.S. Treasury Strip Coupon	15,685	11/15/24
Hashemite Kingdom of Jordan Government Aid Bond	7,266,880	06/30/25
San Bernardino County Treasury Investment Pool	35,143,685	353
Total	$ 42,923,580	

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. The investments with the Federated U.S. Treasury Cash Reserves have been rated AAAm by Standard and Poor's 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, 2018, the District's bank balance of $1,237,015 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2018:

		Fair Value Measurements Using		
Investment Type	Reported Amount	Level 1 Inputs	Level 2 Inputs	Uncategorized
Federated U.S. Treasury Cash Reserve	$ 305,134	$ 305,134	$ -	$ -
U.S. Treasury Notes	192,196	192,196	-	-
U.S. Treasury Strip Coupon	15,685	15,685	-	-
Hashemite Kingdom of Jordan Government Aid Bond*	7,266,880	-	7,266,880	-
San Bernardino County Treasury Investment Pool	35,143,685	-	-	35,143,685
Total	$ 42,923,580	$ 513,015	$ 7,266,880	$ 35,143,685

* The investment is guaranteed by the United States Government. The U.S. Congress authorized the Jordan loan guarantee program in the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012, as applied to fiscal year 2013 funding by the Further Continuing Appropriations Act, 2013.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	$ 2,296,348	$ -	$ 486,397	$ 2,782,745
State Government				
Categorical aid	143,055	-	141,258	284,313
Lottery	456,209	-	-	456,209
Special Education	594,589	-	-	594,589
Local Government				
Interest	88,233	17,193	19,744	125,170
Other Local Sources	428,752	-	105,410	534,162
Total	$ 4,007,186	$ 17,193	$ 752,809	$ 4,777,188

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 7,875,703	$ -	$ -	$ 7,875,703
Construction in Progress	150,950	7,945	109,540	49,355
Total Capital Assets Not Being Depreciated	8,026,653	7,945	109,540	7,925,058
Capital Assets Being Depreciated:				
Land Improvements	44,309,919	938,201	-	45,248,120
Buildings and Improvements	153,549,653	2,725,593	-	156,275,246
Furniture and Equipment	19,488,980	595,902	-	20,084,882
Total Capital Assets Being Depreciated	217,348,552	4,259,696	-	221,608,248
Total Capital Assets	225,375,205	4,267,641	109,540	229,533,306
Less Accumulated Depreciation:				
Land Improvements	16,073,287	1,404,536	-	17,477,823
Buildings and Improvements	76,475,808	3,682,359	-	80,158,167
Furniture and Equipment	11,183,347	1,793,035	-	12,976,382
Total Accumulated Depreciation	103,732,442	6,879,930	-	110,612,372
Governmental Activities Capital Assets, Net	$ 121,642,763	$ (2,612,289)	$ 109,540	$ 118,920,934

Depreciation expense was charged as unallocated on the Statement of Activities.

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

	Due From		
Due To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 1,372,120	$ 1,372,120
Non-Major Governmental Funds	10,976	-	10,976
Total	$ 10,976	$ 1,372,120	$ 1,383,096

A balance of $1,247,922 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from payroll and indirect costs due.

A balance of $74,882 due to the General Fund from the Building Non-Major Governmental Fund resulted from payroll costs.

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

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Salaries and benefits	$ 6,217,884	$ 13,749	$ 6,231,633
LCFF apportionment	1,632,688	-	1,632,688
Services and operating	3,140,519	113,312	3,253,831
Books and supplies	163,483	25,178	188,661
Construction	777,944	139,610	917,554
Other significant payables	69,982	-	69,982
Total	$ 12,002,500	$ 291,849	$ 12,294,349

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	(as Restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	$ 116,859,337	$ 17,270,980	$ 9,390,000	$ 124,740,317	$ 4,230,000
Premium on bonds	5,644,216	1,122,560	842,931	5,923,845	-
Discount on bonds	-	(237,863)	(8,920)	(228,943)	-
Compensated absences	594,507	65,801	-	660,308	-
Net other postemployment benefits (OPEB) liability	27,109,431	2,833,092	2,316,912	27,625,611	-
	$ 150,207,491	$ 21,054,570	$ 12,540,923	$ 158,721,138	$ 4,230,000

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. The accrued vacation will be paid by the fund for which the employee worked. Net other postemployment benefits (OPEB) liabilities are generally paid by the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2017	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2018
09/06/01	08/01/20	3.15-6.50	$ 15,999,914	$ 2,191,191	$ -	$ 128,143	$ 500,000	$ 1,819,334
04/25/05	08/01/28	3.50-5.36	7,999,669	4,291,073	-	246,828	-	4,537,901
06/18/08	08/01/33	3.25-5.33	26,532,404	16,996,336	-	920,466	450,000	17,466,802
10/08/09	08/01/41	5.59-6.65	11,999,981	141,842	-	16,493	-	158,335
04/06/11	08/01/50	2.00-7.75	23,350,977	32,148,919	-	2,147,878	2,600,000	31,696,797
05/03/11	08/01/25	3.00-5.00	7,670,000	6,095,000	-	-	3,770,000	2,325,000
10/25/12	08/01/25	1.00-5.00	11,180,000	7,880,000	-	-	525,000	7,355,000
02/04/15	08/01/39	2.00-4.00	10,000,000	8,760,000	-	-	685,000	8,075,000
02/04/15	08/01/26	2.00-5.00	4,255,000	4,255,000	-	-	145,000	4,110,000
12/23/15	08/01/27	2.00-5.00	12,750,000	12,460,000	-	-	-	12,460,000
06/07/16	08/01/40	2.00-5.00	21,266,972	21,639,976	-	591,172	715,000	21,516,148
10/12/17	08/01/37	2.00-3.00	7,910,000	-	7,910,000	-	-	7,910,000
10/12/17	08/01/28	2.00-5.00	2,215,000	-	2,215,000	-	-	2,215,000
10/12/17	08/01/25	2.00-5.00	3,095,000	-	3,095,000	-	-	3,095,000
				$ 116,859,337	$ 13,220,000	$ 4,050,980	$ 9,390,000	$ 124,740,317

2000 Election General Obligation Bonds, Series B

On September 6, 2001, the District issued the $15,999,914, consisting of $819,936 in capital appreciation and $7,301,343 in convertible capital appreciation bonds convertible to current interest bonds on August 1, 2003, and $7,878,635 term bonds, with a final maturity to occur on August 1, 2020. Interest rates on the bonds range from of 3.15 to 6.50 percent. Proceeds from the sale of the bonds were to be used for the purpose of paying for repairs, modernization, and construction of school facilities. At June 30, 2018, the principal balance outstanding of the 2000 General Obligation Bonds, Series B was $1,819,334.

2000 Election General Obligation Bonds, Series 2005 C

On April 25, 2005, the District issued the $7,999,669, consisting of $5,765,000 in current interest and term bonds and $2,234,669 in capital appreciation bonds. The 2005 Series C Bonds have a final maturity to occur on August 1, 2028. Interest rates on the bonds range from of 3.50 to 5.36 percent. Proceeds from the sale of the bonds were to be used for the purpose of paying for repairs, modernization, and construction of school facilities. On February 4, 2015, the District issued the 2015 General Obligation Refunding Bonds, in the amount of $4,255,000, to refund all of the callable outstanding current interest 2000 General Obligation Bonds, Series C. As a result, the refunded portion of the debt obligation has been removed as a long-term obligation from the government-wide Statement of Net Position. At June 30, 2018, the principal balance outstanding of the capital appreciation 2000 General Obligation Bonds, Series 2005C was $4,537,901. Unamortized premium received on issuance of the bonds amounted to $118,331 as of June 30, 2018.

2008 Election General Obligation Bonds, Series A

On June 18, 2008, the District issued the $26,532,404 consisting of $16,585,000 in current interest and term bonds and $9,947,404 in capital appreciation bonds. The Series A Bonds have a final maturity to occur on August 1, 2033. Interest rates on the bonds range from of 3.25 to 5.33 percent. Proceeds from the sale of the bonds were to be used for the purpose of paying for repairs, modernization, and construction of school facilities. On December 23, 2015, the District issued the 2015 General Obligation Refunding Bonds, Series A, to advance refund all of the District's Election of 2008 General Obligation Bonds, Series A maturing on August 1, 2019 through and including August 1, 2027. As a result, the portion of the bonds refunded totaling $13,535,000, is considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. At June 30, 2018, the principal balance outstanding of the 2008 General Obligation Bonds, Series A was $17,466,802. Unamortized premium received on issuance of the bonds amounted to $520,541 as of June 30, 2018.

2008 Election General Obligation Bonds, Series B

On October 8, 2009, the District issued the $11,999,981 in capital appreciation bonds. The Series B Bonds have a final maturity to occur on August 1, 2041. Interest rates on the bonds range from of 5.59 to 6.65 percent. Proceeds from the sale of the bonds were to be used for the purpose of paying for repairs, modernization, and construction of school facilities. On June 7, 2016, the District issued the 2016 General Obligation Refunding Bonds, Series B, to advance refund all of the District's Election of 2008 General Obligation Bonds, Series B maturing on August 1, 2022 through and including August 1, 2040. As a result, the portion of the bonds refunded totaling $17,897,418, is considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. At June 30, 2018, the principal balance outstanding of the 2008 General Obligation Bonds, Series B was $158,335.

2008 Election General Obligation Bonds, Series C

On April 6, 2011, the District issued the $23,350,977, consisting of $14,912,923 in capital appreciation and $3,568,054 in convertible capital appreciation bonds convertible to current interest bonds on August 1, 2020, and $4,870,000 in current interest serial and term bonds, with a final maturity to occur on August 1, 2050. Interest rates on the bonds range from of 2.00 to 7.75 percent. Proceeds from the sale of the bonds were to be used for the purpose of paying for repairs, modernization, and construction of school facilities. On October 12, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series A (2025 Crossover), to advance refund, on a crossover basis, the District's outstanding 2008 General Obligation Bonds, Series C maturing on August 1, 2041. On October12, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series B, to advance refund the District's outstanding 2008 General Obligation Bonds, Series C. As a result, the portion of the bonds refunded totaling $2,370,000, is considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. At June 30, 2018, the principal balance outstanding of the 2008 General Obligation Bonds, Series C was $31,696,797.

2008 Election General Obligation Bonds, Series D

On February 4, 2015, the District issued the $10,000,000, in current interest and term bonds, with a final maturity to occur on August 1, 2039. Interest rates on the bonds range from of 2.00 to 7.75 percent. Proceeds from the sale of the bonds were to be used for the purpose of paying for repairs, modernization, and construction of school facilities. At June 30, 2018, the principal balance outstanding of the 2008 General Obligation Bonds, Series D was $8,075,000. Unamortized premium received on issuance of the bonds amounted to $486,355 as of June 30, 2018.

2011 General Obligation Refunding Bonds

On May 3, 2011, the District issued the $7,670,000 in General Obligation Refunding Bonds. The 2011 General Obligation Refunding Bonds were issued as current interest bonds, and have a final maturity to occur on August 1, 2025. Interest rates on the bonds range from of 3.00 to 5.00 percent. The net proceeds from the issuance were used to current refund a portion of the District's outstanding 2000 Election General Obligation Bonds, Series A, and to pay the costs of issuance associated with the refunding bonds. On October 12, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series C, to advance refund the District's outstanding 2011General Obligation Bonds. As a result, the portion of the bonds refunded totaling $3,240,000, is considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. At June 30, 2018, the principal balance outstanding of the 2011 General Obligation Refunding Bonds was $2,325,000.

2012 General Obligation Refunding Bonds

On October 25, 2012, the District issued the $11,180,000 in General Obligation Refunding Bonds. The 2012 General Obligation Refunding Bonds were issued as current interest bonds, and have a final maturity to occur on August 1, 2025. Interest rates on the bonds range from of 1.00 to 5.00 percent. The net proceeds from the issuance were used to advance refund a portion of the District's outstanding 2000 Election General Obligation Bonds, Series B, and to pay the costs of issuance associated with the refunding bonds. At June 30, 2018, the principal balance outstanding of the 2012 General Obligation Refunding Bonds was $7,355,000. Unamortized premium received on issuance of the bonds amounted to $514,520 as of June 30, 2018.

2015 General Obligation Refunding Bonds

On February 4, 2015, the District issued the 2015 General Obligation Refunding Bonds, in the amount of $4,255,000, to refund all of the callable outstanding current interest 2000 General Obligation Bonds, Series C. The 2015 General Obligation Refunding Bonds have a final maturity to occur on August 1, 2026. Interest rates on the bonds range from of 2.00 to 7.75 percent. At June 30, 2018, the principal balance outstanding of the 2015 General Obligation Refunding Bonds was $4,110,000. Unamortized premium received on issuance of the bonds amounted to $452,756 as of June 30, 2018.

2015 General Obligation Refunding Bonds, Series A

On December 23, 2015, the District issued the 2015 General Obligation Refunding Bonds, in the amount of $12,750,000, to advance refund all of the District's Election of 2008 General Obligation Bonds, Series A maturing on August 1, 2019 through and including August 1, 2027. The 2015 General Obligation Refunding Bonds, Series A have a final maturity to occur on August 1, 2027. Interest rates on the bonds range from 2.00 to 5.00 percent. At June 30, 2018, the principal balance outstanding of the 2015 General Obligation Refunding Bonds was $12,460,000. Unamortized premium received on issuance of the bonds amounted to $2,062,492 as of June 30, 2018.

2016 General Obligation Refunding Bonds, Series B

On June 7, 2016, the District issued the 2016 General Obligation Refunding Bonds, Series B, in the amount of $5,570,000 current interest serial bonds, and $15,696,972 capital appreciation serial bonds, to advance refund all of the District's Election of 2008 General Obligation Bonds, Series B maturing on August 1, 2022 through and including August 1, 2040. The 2016 General Obligation Refunding Bonds, Series B have a final maturity to occur on August 1, 2040. Interest rates on the bonds range from 2.00 to 5.00 percent. At June 30, 2018, the principal balance outstanding of the 2016 General Obligation Refunding Bonds was $21,516,148. Unamortized premium received on issuance of the bonds amounted to $738,925 as of June 30, 2018.

2017 General Obligation Refunding Bonds, Series A (2025 Crossover)

On October 12, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series A (2025 Crossover), in the amount of $7,910,000, to advance refund, on a crossover basis, the District’s outstanding 2008 General Obligation Bonds, Series C and to pay costs associated with the issuance of the refunding bonds. The current interest bonds have a final maturity to occur on August 1, 2037. Interest rates on the bonds range from 2.00 to 3.00 percent. The refunding resulted in a cumulative cash flow saving of $2,719,606 over the life of the new debt and an economic gain of $1,504,568 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.27 percent. At June 30, 2018, the principal balance outstanding of the 2017 General Obligation Refunding Bonds was $7,910,000. Unamortized discount on the issuance of the bonds amounted to $228,943 as of June 30, 2018.

2017 General Obligation Refunding Bonds, Series B

On October 12, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series B, in the amount of $2,215,000, to advance refund the District's outstanding 2008 General Obligation Bonds, Series C and to pay costs associated with the issuance of the refunding bonds. The current interest bonds have a final maturity to occur on August 1, 2028. Interest rates range from 2.00 to 5.00 percent. The refunding resulted in a cumulative cash flow saving of $197,276 over the life of the new debt and an economic gain of $171,074 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 1.93 percent. At June 30, 2018, the principal balance outstanding of the 2017 General Obligation Refunding Bonds was $2,215,000. Unamortized premium received on issuance of the bonds amounted to $459,367 as of June 30, 2018.

2017 General Obligation Refunding Bonds, Series C

On October 12, 2017, the District issued the 2017 General Obligation Refunding Bonds, Series C, in the amount of $3,095,000, to advance refund the District's outstanding 2011 General Obligation Bonds, and to pay costs associated with the issuance of the refunding bonds. The current interest bonds have a final maturity to occur on August 1, 2025. Interest rates range from 2.00 to 5.00 percent. The refunding resulted in a cumulative cash flow saving of $234,363 over the life of the new debt and an economic gain of $213,644 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 1.63 percent. At June 30, 2018, the principal balance outstanding of the 2017 General Obligation Refunding Bonds was $3,095,000. Unamortized premium received on issuance of the bonds amounted to $570,558 as of June 30, 2018.

Debt Service Requirements to Maturity

The bonds mature through 2051 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Interest to Maturity	Total
2019	$ 4,210,958	$ 19,042	$ 2,128,075	$ 6,358,075
2020	4,495,958	64,042	1,978,550	6,538,550
2021	4,667,417	102,583	2,052,700	6,822,700
2022	3,710,000	-	2,129,938	5,839,938
2023	3,894,347	145,653	1,969,900	6,009,900
2024-2028	27,417,785	1,847,215	6,941,288	36,206,288
2029-2033	19,854,744	19,480,256	3,876,984	43,211,984
2034-2038	16,513,475	16,421,525	3,607,978	36,542,978
2039-2043	23,703,395	31,744,621	1,461,113	56,909,129
2044-2048	10,781,035	73,535,977	-	84,317,012
2049-2051	5,491,203	54,693,977	-	60,185,180
Total	$ 124,740,317	$ 198,054,891	$ 26,146,526	$ 348,941,734

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to $660,308.

Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 26,875,608	$ 802,318	$ 1,473,476
Medicare Premium Payment (MPP) Program	750,003	-	154,978
Total	$ 27,625,611	$ 802,318	$ 1,628,454

The details of each plan are as follows:

<u>District Plan</u>

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	112
Active employees	829
	941

Benefits Provided

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

The benefit payment requirements of Plan members and the District are established and may be amended by the District, the Upland Teachers Association (UTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements. For fiscal year 2017-2018, the District paid $1,241,628 to benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $26,875,608 was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00	percent
Salary increases	3.00	percent, average, including inflation
Discount rate	3.62	percent
Healthcare cost trend rates	5.00	percent for 2018

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality, without projection. Post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality, without projection.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 26,204,450
Service cost	2,032,174
Interest	800,918
Changes of assumptions or other inputs	(920,306)
Benefit payments	(1,241,628)
Net change in total OPEB liability	671,158
Balance at June 30, 2018	$ 26,875,608

Changes of assumptions and other inputs reflect a change in the discount rate from 3.13 percent in 2017 to 3.62 percent in 2018.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.62%)	$ 28,668,849
Current discount rate (3.62%)	26,875,608
1% increase (4.62%)	25,191,192

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (4.00%)	$ 24,179,080
Current healthcare cost trend rate (5.00%)	26,875,608
1% increase (6.00%)	29,984,893

OPEB Expense and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $1,473,476. At June 30, 2018, the District reported deferred inflows of resources for changes of assumptions of $802,318.

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

Year Ended June 30,	Deferred (Inflows) of Resources
2019	$ (117,988)
2020	(117,988)
2021	(117,988)
2022	(117,988)
2023	(117,988)
Thereafter	(212,378)
	$ (802,318)

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, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2018, the District reported a liability of $750,003 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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, 2017 and June 30, 2016, respectively, was 0.1783 percent, and 0.1934 percent, resulting in a net decrease in the proportionate share of 0.0151 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(154,978).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now 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 the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

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, 2017 and 2016, 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, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	$ 830,306
Current discount rate (3.58%)	750,003
1% increase (4.58%)	671,892

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 677,743
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	750,003
1% increase (4.7% Part A and 5.1% Part B)	821,542

NOTE 9 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility Districts 99-1 and 2001-1, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $3,344,000 as of June 30, 2018, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 75,000	$ -	$ -	$ -	$ 75,000
Stores inventories	174,678	-	-	22,575	197,253
Prepaid expenditures	85,568	-	-	-	85,568
Total Nonspendable	335,246	-	-	22,575	357,821
Restricted					
Legally restricted programs	3,867,044	-	-	1,375,057	5,242,101
Capital projects	-	5,012,869	-	2,599,260	7,612,129
Debt service	-	-	14,168,632	-	14,168,632
Total Restricted	3,867,044	5,012,869	14,168,632	3,974,317	27,022,862
Unassigned					
Reserve for economic uncertainties	8,317,981	-	-	-	8,317,981
Total	$ 12,520,271	$ 5,012,869	$ 14,168,632	$ 3,996,892	$ 35,698,664

NOTE 11 - RISK MANAGEMENT

The District's risk management activities are recorded in the General Fund. The General Fund, through the purchase of commercial insurance, administers employee life and health programs. The District participates in the CSAC Excess Insurance Authority public entity risk pool for worker's compensation program and Self-Insured Schools of California (SISC) public entity risk pool for property and liability program. See Note 14 for additional information relating to public entity risk pools.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded coverage for the current year or the three prior years.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 91,064,563	$ 37,254,563	$ 10,731,865	$ 10,960,102
CalPERS	28,449,976	9,610,396	348,223	5,226,308
Total	$ 119,514,539	$ 46,864,959	$ 11,080,088	$ 16,186,410

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, 2016, 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, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $7,461,737.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 91,064,563
State's proportionate share of the net pension liability associated with the District	53,873,026
Total	$ 144,937,589

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively, was 0.0985 percent and 0.1087 percent, resulting in a net decrease in the proportionate share of 0.0102 percent.

For the year ended June 30, 2018, the District recognized pension expense of $10,960,102. In addition, the District recognized pension expense and revenue of $5,422,837 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,461,737	$ -
Net change in proportionate share of net pension liability	12,585,286	6,718,249
Difference between projected and actual earnings on pension plan investments	-	2,425,303
Differences between expected and actual experience in the measurement of the total pension liability	336,766	1,588,313
Changes of assumptions	16,870,774	-
Total	$ 37,254,563	$ 10,731,865

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (2,016,245)
2020	1,525,702
2021	219,998
2022	(2,154,758)
Total	$ (2,425,303)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 4,233,510
2020	4,233,510
2021	4,233,510
2022	4,233,511
2023	2,804,012
Thereafter	1,748,211
Total	$ 21,486,264

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 133,711,689
Current discount rate (7.10%)	91,064,563
1% increase (8.10%)	56,453,530

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, 2016 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $2,365,050.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $28,449,976. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively, was 0.1192 percent and 0.1193 percent, resulting in a net decrease in the proportionate share of 0.0001 percent.

For the year ended June 30, 2018, the District recognized pension expense of $5,226,308. At June 30, 2018, 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	$ 2,365,050	$ -
Net change in proportionate share of net pension liability	1,086,361	13,260
Difference between projected and actual earnings on pension plan investments	984,174	-
Differences between expected and actual experience in the measurement of the total pension liability	1,019,245	-
Changes of assumptions	4,155,566	334,963
Total	$ 9,610,396	$ 348,223

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (26,668)
2020	1,135,524
2021	414,251
2022	(538,933)
Total	$ 984,174

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,382,033
2020	2,097,840
2021	1,433,076
Total	$ 5,912,949

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

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%)	$ 41,859,031
Current discount rate (7.15%)	28,449,976
1% increase (8.15%)	17,326,041

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 $4,381,024 (9.328 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 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

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

The District is a member of the CSAC Excess Insurance Authority and Self-Insured Schools of California public entity risk pools. The District pays an annual premium to the applicable entity for its workers' compensation, and property liability coverage. The District is a member of the Baldy View Regional Occupational Program (BVROP) to provide occupational training to students within the District. The relationships between the District, the pools, and the BVROP 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, 2018, the District made payments of $271,211 and $571,756 to CSAC Excess Insurance Authority and SISC, respectively, for services received.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION AND FUND BALANCE

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ (53,845,316)
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(16,740,163)
Net Position - Beginning as Restated	$ (70,585,479)

REQUIRED SUPPLEMENTARY INFORMATION

UPLAND UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual (GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 93,677,147	$ 93,118,461	$ 92,998,727	$ (119,734)
Federal sources	4,740,725	5,601,673	5,470,912	(130,761)
Other State sources	4,795,897	7,608,254	12,532,498	4,924,244
Other local sources	6,250,717	7,297,676	7,671,540	373,864
Total Revenues [1]	109,464,486	113,626,064	118,673,677	5,047,613
EXPENDITURES				
Current				
Certificated salaries	53,894,454	53,047,447	52,945,372	102,075
Classified salaries	15,210,390	15,033,852	14,898,175	135,677
Employee benefits	25,790,633	27,104,219	30,919,005	(3,814,786)
Books and supplies	5,963,311	6,207,813	5,308,547	899,266
Services and operating expenditures	10,969,160	12,414,500	12,029,427	385,073
Other outgo	1,423,557	1,677,580	1,561,152	116,428
Capital outlay	1,706,714	3,869,212	3,649,925	219,287
Total Expenditures [1]	114,958,219	119,354,623	121,311,603	(1,956,980)
NET CHANGE IN FUND BALANCES	(5,493,733)	(5,728,559)	(2,637,926)	3,090,633
Fund Balance - Beginning	15,158,197	15,158,197	15,158,197	-
Fund Balance - Ending	$ 9,664,464	$ 9,429,638	$ 12,520,271	$ 3,090,633

[1] On behalf payments of $4,381,024 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

UPLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 2,032,174
Interest	800,918
Changes of assumptions	(920,306)
Benefit payments	(1,241,628)
Net change in total OPEB liability	671,158
Total OPEB liability - beginning	26,204,450
Total OPEB liability - ending	$ 26,875,608
Covered payroll	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]

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

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

See accompanying note to required supplementary information.

UPLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.1783%
District's proportionate share of the net OPEB liability	$ 750,003
District's covered-employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

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

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

See accompanying note to required supplementary information.

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UPLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.0985%	0.1087%
District's proportionate share of the net pension liability	$ 91,064,563	$ 87,938,256
State's proportionate share of the net pension liability associated with the District	53,873,026	50,061,680
Total	$ 144,937,589	$ 137,999,936
District's covered - employee payroll	$ 52,652,568	$ 52,779,646
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	173%	167%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.1192%	0.1193%
District's proportionate share of the net pension liability	$ 28,449,976	$ 23,558,374
District's covered - employee payroll	$ 15,243,045	$ 14,113,911
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	187%	167%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

2016	2015
0.0971%	0.0816%
$ 65,385,480	$ 47,688,051
34,581,711	28,796,104
$ 99,967,191	$ 76,484,155
$ 44,988,435	$ 41,079,370
145%	116%
74%	77%
0.1081%	0.1009%
$ 15,932,114	$ 11,459,646
$ 11,890,383	$ 10,599,259
134%	108%
79%	83%

UPLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 7,461,737	$ 6,623,693
Contributions in relation to the contractually required contribution	7,461,737	6,623,693
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 51,709,889	$ 52,652,568
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 2,365,050	$ 2,117,259
Contributions in relation to the contractually required contribution	2,365,050	2,117,259
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 15,227,931	$ 15,243,045
Contributions as a percentage of covered - employee payroll	15.53%	13.89%

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

See accompanying note to required supplementary information.

2016		2015	
$	5,663,256	$	3,994,973
	5,663,256		3,994,973
$	-	$	-
$	52,779,646	$	44,988,435
	10.73%		8.88%
$	1,672,075	$	1,399,617
	1,672,075		1,399,617
$	-	$	-
$	14,113,911	$	11,890,383
	11.85%		11.77%

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

At June 30, 2018, the General Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	$ 119,354,623	$ 121,311,603	$ 1,956,980

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

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

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

Change of Assumptions –The discount rate changed from 3.13 percent in 2017 to 3.62 percent in 2018.

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 plan’s 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 2.85 percent to 3.58 percent since the previous valuation.

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

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

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

***Changes of Assumptions* –** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

UPLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 2,047,852
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	5,944
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	336,840
English Language Acquisition Grants:			
Title III, Immigrant Education Program	84.365	15146	4,726
Title III, English Learner Student Program	84.365	14346	82,343
Subtotal English Language Acquisition Grants			87,069
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	90,019
Passed through West End Special Education Local Plan Area:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,728,417
Total U.S. Department of Education			4,296,141
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	507,766
National School Lunch	10.555	13524	2,333,696
Food Distribution	10.555	13524	263,920
Summer Lunch Program	10.559	13004	49,110
Subtotal Child Nutrition Cluster			3,154,492
Child and Adult Care Food Program	10.558	13393	272,256
Total U.S. Department of Agriculture			3,426,748
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Assistance Program:			
Medi-Cal Administrative Activities	93.778	10060	569,649
Medi-Cal Billing Options	93.778	10013	116,302
Passed through San Bernardino County Department of Behavioral Health:			
Medi-Cal Billing Options	93.778	10013	377,177
Subtotal Medi-Cal Assistance Program			1,063,128
Total U.S. Department of Health and Human Services			1,063,128
Total Expenditures of Federal Awards			$ 8,786,017

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

The Upland Unified School District was established July 1, 1987 and consists of an area comprising approximately 24 square miles. The District operates ten elementary schools, two junior high schools, one high school, one continuation school, and alternative programs for independent study and adult education. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Wes Fifield	President	November 2018
Michael J. Varela	Vice President	November 2018
P. Joseph Lenz	Clerk	November 2018
Jack Young	Member	November 2020
Linda Angona	Member	November 2020

ADMINISTRATION

NAME	TITLE
Nancy Kelly, Ed.D	Superintendent
Alex Ruvalcaba	Assistant Superintendent, Human Resources
John Vinke	Interim Assistant Superintendent, Business Services
Scott Sypkens, Ed.D	Assistant Superintendent, Secondary Education
Shinay Bowman	Assistant Superintendent, Elementary Education

See accompanying note to supplementary information.

UPLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Amended Second Period Report	Amended Annual Report
Regular ADA		
Transitional kindergarten through third	3,115.50	3,111.70
Fourth through sixth	2,406.12	2,398.67
Seventh and eighth	1,655.60	1,651.16
Ninth through twelfth	3,213.73	3,184.70
Total Regular ADA	10,390.95	10,346.23
Extended Year Special Education		
Transitional kindergarten through third	0.32	0.32
Fourth through sixth	0.22	0.22
Seventh and eighth	0.10	0.10
Ninth through twelfth	0.25	0.25
Total Extended Year Special Education	0.89	0.89
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.54	1.52
Fourth through sixth	1.93	1.90
Seventh and eighth	1.47	1.62
Ninth through twelfth	10.78	10.19
Total Special Education, Nonpublic, Nonsectarian Schools	15.72	15.23
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.09	0.09
Fourth through sixth	0.12	0.12
Ninth through twelfth	0.77	0.74
Total Community Day School	0.98	0.95
Total ADA	10,408.54	10,363.30

See accompanying note to supplementary information.

UPLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,800	180	-	Complied
Grades 1 - 3	50,400				
Grade 1		54,210	180	-	Complied
Grade 2		54,210	180	-	Complied
Grade 3		54,210	180	-	Complied
Grades 4 - 6	54,000				
Grade 4		54,210	180	-	Complied
Grade 5		54,210	180	-	Complied
Grade 6		54,210	180	-	Complied
Grades 7 - 8	54,000				
Grade 7		56,600	180	-	Complied
Grade 8		56,600	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		65,260	180	-	Complied
Grade 10		65,260	180	-	Complied
Grade 11		65,260	180	-	Complied
Grade 12		65,260	180	-	Complied

See accompanying note to supplementary information.

UPLAND UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Bond Interest and Redemption Fund
FUND BALANCE	
Balance, June 30, 2018, Unaudited Actuals	$ 6,662,793
Increase in:	
Cash with fiscal agent	31,078
Investments	7,474,761
Balance, June 30, 2018, Audited Financial Statements	$ 14,168,632

See accompanying note to supplementary information.

UPLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	2017	2016
GENERAL FUND				
Revenues	$ 116,321,690	$ 118,673,677	$ 113,880,135	$ 114,224,734
Expenditures	115,256,012	121,311,603	116,777,334	113,614,237
INCREASE (DECREASE) IN FUND BALANCE	$ 1,065,678	$ (2,637,926)	$ (2,897,199)	$ 610,497
ENDING FUND BALANCE	$ 13,585,949	$ 12,520,271	$ 15,158,197	$ 18,055,396
AVAILABLE RESERVES [2]	$ 9,640,914	$ 8,317,981	$ 9,977,916	$ 3,408,427
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	8.4%	6.9%	8.5%	3.0%
LONG-TERM OBLIGATIONS [3]	N/A	$ 158,721,138	$ 150,207,491	$ 131,932,051
K-12 AVERAGE DAILY ATTENDANCE AT P-2	10,367	10,409	10,624	10,682

The General Fund balance has decreased by $5,535,125 over the past two years. The fiscal year 2018-2019 budget projects an increase of $1,065,678 (8.51 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years but anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by $26,789,087 over the past two years.

Average daily attendance has decreased by 273 over the past two years. Additional decline of 42 ADA is anticipated during fiscal year 2018-2019.

[1] Budget 2019 is 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] Long-term obligations have been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

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UPLAND UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	$ 511,075	$ 1,423,016	$ 2,822,828
Receivables	109,779	628,637	3,866
Due from other funds	6,086	4,819	71
Stores inventories	-	22,575	-
Total Assets	$ 626,940	$ 2,079,047	$ 2,826,765
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 19,207	$ 27,352	$ 245,290
Due to other funds	13,874	1,247,922	74,882
Total Liabilities	33,081	1,275,274	320,172
Fund Balances:			
Nonspendable	-	22,575	-
Restricted	593,859	781,198	2,506,593
Total Fund Balances	593,859	803,773	2,506,593
Total Liabilities and Fund Balances	$ 626,940	$ 2,079,047	$ 2,826,765

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
$ 82,140	$ 35,442	$ 4,874,501
10,527	-	752,809
-	-	10,976
-	-	22,575
$ 92,667	$ 35,442	$ 5,660,861
$ -	$ -	$ 291,849
-	35,442	1,372,120
-	35,442	1,663,969
-	-	22,575
92,667	-	3,974,317
92,667	-	3,996,892
$ 92,667	$ 35,442	$ 5,660,861

UPLAND UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Building Fund
REVENUES			
Federal sources	$ -	$ 3,426,748	$ -
Other State sources	431,344	298,765	-
Other local sources	6,598	1,110,162	12,046
Total Revenues	437,942	4,835,675	12,046
EXPENDITURES			
Current			
Instruction	236,164	-	-
Instruction-related activities:			
School site administration	25,011	-	-
Pupil services:			
Food services	-	4,773,473	-
Plant services	-	216,002	457,229
Community services	93,411	-	-
Facility acquisition and construction	-	-	1,226,812
Total Expenditures	354,586	4,989,475	1,684,041
NET CHANGE IN FUND BALANCES	83,356	(153,800)	(1,671,995)
Fund Balance - Beginning	510,503	957,573	4,178,588
Fund Balance - Ending	$ 593,859	$ 803,773	$ 2,506,593

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
$ -	$ -	$ 3,426,748
-	-	730,109
36,388	-	1,165,194
36,388	-	5,322,051
-	-	236,164
-	-	25,011
-	-	4,773,473
-	35,442	708,673
-	-	93,411
-	-	1,226,812
-	35,442	7,063,544
36,388	(35,442)	(1,741,493)
56,279	35,442	5,738,385
$ 92,667	$ -	$ 3,996,892

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that were recorded as revenues in the current period, but were unspent. These unspent balances are reported as legally restricted at year-end.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 8,897,660
Medi-Cal Billing Option	93.778	(111,643)
Total Schedule of Expenditures of Federal Awards		$ 8,786,017

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 neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Upland Unified School District
Upland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upland Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Upland Unified School District's basic financial statements, and have issued our report thereon dated December 11, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upland Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Upland Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Upland Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upland Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Upland Unified School District in a separate letter dated December 11, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 11, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Upland Unified School District
Upland, California

Report on Compliance for Each Major Federal Program

We have audited Upland Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Upland Unified School District's major Federal programs for the year ended June 30, 2018. Upland Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Upland Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Upland Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Upland Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Upland Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Upland Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Upland Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Upland Unified School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 11, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Upland Unified School District
Upland, California

Report on State Compliance

We have audited Upland Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Upland Unified School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Upland Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Upland Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Upland Unified School District's compliance with those requirements.

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Unmodified Opinion

In our opinion, Upland Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below

CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform testing for Independent Study because the ADA was below the required threshold for testing.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have a Middle or Early College High Schools Program; therefore, we did not perform any procedures related to Middle or Early College High Schools Program.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a Course Based Independent Study Program; therefore, we did not perform any procedures related to the Course Based Independent Study Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 11, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

UPLAND UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027	Basic Local Assistance Entitlement, Part B, Sec 611
93.778	Medi-Cal Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There were no audit findings reported in the prior year's schedule of financial statement findings.

Governing Board
Upland Unified School District
Upland, California

In planning and performing our audit of the financial statements of Upland Unified School District (the District) for the year ended June 30, 2018 we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 11, 2018, on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY FUNDS (ASB)

Upland High School

Observations

During our audit of the ASB internal controls, we noted the following issues:

1. Out of 39 deposits selected for testing, 31 deposits contained cash receipts that were not deposited in a timely manner. The delay in deposits was noted as 8 to 54 days from the date of receipt. This could result in large cash balances being maintained at the site, which can hinder the safeguarding of ASB assets.
2. Cash collections made by teachers, advisors or clubs are not consistently supported by sub-receipts, logs, or tally sheets to indicate the date money was collected. As a result, it could not be determined if monies were deposited in a timely manner for one of the 39 deposits tested. In addition, multiple gaps exist between receipt numbers within tested deposits and receipt numbers do not appear to be numbered sequentially within the site's accounting system.
3. All four fundraising events selected for testing contained incomplete revenue potential forms. Expected revenues were not documented on the revenue potential forms and an explanation for differences between expected and actual profits was not indicated. Additionally, one of the four fundraising events tested was not preapproved by the ASB and/or the site administration.
4. Through review of student store procedures, perpetual inventory records have not been maintained to update inventory balances as sales occur and as new items are purchased.

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<u>Recommendations</u>

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Those collecting cash should ensure that receipting documentation indicates the date monies are collected. This will allow reviewers to ensure that funds collected are being deposited in a timely manner. Site personnel should review closeout procedures for the Blue Bear Tracks software to ensure that all receipts are properly accounted for within each deposit. Additionally, closeout reports should be reviewed to ensure that receipt numbers are presented sequentially between consecutive deposits.
3. The revenue potential form is a vital internal control tool; it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success, or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. Review and approving of fundraising events is an important control activity to prevent any potential unacceptable ASB activity. All fundraising events should be approved by either the ASB student council or site administrator(s) prior to the event taking place to ensure that the activities related to fundraisers are appropriate in a school setting.
4. The ASB should implement a perpetual inventory system. This will allow the ASB to compute and reconcile daily sales, cost of goods sold, and items on hand at end of each close out. The starting point will be the performance of a physical inventory count and then any items sold should be deducted from the count, and any items purchased should be added to the count. This perpetual inventory count should be reconciled to a quarterly/annual physical inventory count. A physical inventory should be taken at least quarterly under the supervision of an administrator. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 11, 2018

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate"), dated __________ __, 2019, is executed and delivered by the Upland Unified School District (the "Issuer") in connection with the issuance of the $__________ Upland Unified School District's Election of 2008 General Obligation Bonds, Series E (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Issuer adopted on February 26, 2019 and a resolution of the Board of Supervisors of the County of San Bernardino adopted on July 23, 2002 (together, the "Resolutions"). The Issuer covenants and agrees as follows:

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

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

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

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean either of the Superintendent or the Assistant Superintendent, Business Services, of the Issuer, or either of their designees, or such other officer or employee as the Issuer shall designate in writing from time to time.

"Dissemination Agent" shall mean Isom Advisors, a Division of Urban Futures, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Official Statement" shall mean the Official Statement for the Bonds dated __________ __, 2019.

"Participating Underwriter" shall mean Raymond James & Associates, Inc. as the original underwriter of the Bonds.

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

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent upon written direction to, not later than the last day of the eighth month after the end of the Issuer's fiscal year, commencing with the report for the fiscal year ending June 30, 2018, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report shall be provided to the MSRB in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the MSRB and the Dissemination Agent of a change in the fiscal year dates. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(b) If the Dissemination Agent is other than the Issuer, not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice in a timely manner to the MSRB stating that the Annual Report will not be filed in a timely manner.

(d) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the MSRB for the Annual Reports; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided the MSRB. The Dissemination Agent's duties under this clause (ii) shall exist only if the Issuer provides the Annual Report to the Dissemination Agent for filing.

(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

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

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

(A) State funding received by the Issuer for the last completed fiscal year, which may be in the form of an update to Table 14;

(B) Average daily attendance, enrollment and English learners/low-income percentage of enrollment of the Issuer for the last completed fiscal year, which may be in the form of an update to Table 13;

(C) Outstanding Issuer indebtedness, which may be in the form of an update to either Table 18 or Table 19;

(D) Summary financial information on revenues, expenditures and fund balances for the Issuer's general fund reflecting adopted budget for the current fiscal year, which may be in the form of an update to Table 17;

(E) Assessed Valuation of property within the Issuer for the last completed fiscal year, which may be in the form of an update to Table 1;

(F) Twenty largest secured property taxpayers within the Issuer for the last completed fiscal year, which may be in the form of an update to Table 4; and

(G) In the event the County of San Bernardino discontinues the Teeter Plan, property tax delinquency rates in the Issuer for the last completed fiscal year, which may be in a form similar to Table 2 but with such information exclusively for the area within the Issuer.

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

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the Issuer 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 more than ten (10) business days after the event:

(1) principal and interest payment delinquencies;

(2) unscheduled draws on debt service reserves reflecting financial difficulties;

(3) unscheduled draws on credit enhancements reflecting financial difficulties;

(4) substitution of credit or liquidity providers, or their failure to perform;

(5) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determinations of taxability or of the Notice of Proposed Issue (IRS Form 5701-TEB);

(6) tender offers;

(7) defeasances;

(8) ratings changes;

(9) bankruptcy, insolvency, receivership or similar proceedings;

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 obligated person, 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 obligated person.

(10) 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.

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

(1) unless described in subsection 5(a)(5), 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;

(2) the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(3) appointment of a successor or additional trustee or the change of the name of a trustee;

(4) nonpayment related defaults;

(5) modifications to the rights of Owners of the Bonds;

(6) notices of redemption;

(7) release, substitution or sale of property securing repayment of the Bonds; and

(8) incurrence of a financial obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bondholders.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (b), the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under subsection 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(7) and (b)(6) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Resolutions. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

(g) Any of the filings required to be made under this Section 5 shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

(h) For purposes of the events identified in subparagraphs (a)(10) and (b)(8) under this Section 5, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc. The Dissemination Agent may resign by providing thirty days written notice to the Issuer and the Paying Agent. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Issuer. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Issuer in a timely manner and in a form suitable for filing.

SECTION 8. Amendment.

(a) This Disclosure Certificate may be amended, in writing, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) there shall have been delivered to the Issuer an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) the Issuer shall have delivered to the Dissemination Agent (if other than the Issuer) an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(b) This Disclosure Certificate may be amended in writing with respect to the Bonds, upon obtaining consent of Owners at least 25% in aggregate principal of the Bonds then outstanding; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied; and provided, further, that the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder.

(c) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice if occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event the Issuer fails to comply with any provision in this Disclosure Certificate, the Dissemination Agent may (or shall upon direction of the Owners of 25% in aggregate principal of the Bonds then outstanding or the Participating Underwriter) take all action necessary to cause the Issuer to comply with this Disclosure Certificate. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Owner 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 Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer 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 Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bond Owner's, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent hereunder, seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative:	Superintendent Upland Unified School District 390 North Euclid Avenue Upland, CA 91786

UPLAND UNIFIED SCHOOL DISTRICT

By: ____________________________________

Its: Superintendent

APPENDIX D

CITY OF UPLAND AND COUNTY OF SAN BERNARDINO GENERAL AND ECONOMIC DATA

The following information concerning the City of Upland (the "City"), the County of San Bernardino (the "County") and the State of California (the "State") are presented as general background information. The Series E Bonds are not an obligation of the City, the County or the State and the taxing the power of the City, the County and the State are not pledged to the payment of the Series E Bonds.

The District has not independently verified the information set forth in this Appendix D and while this information is believed to be reliable, it is not guaranteed as to accuracy by the District.

General

The City of Upland is located in the southwestern portion of San Bernardino County within the Inland Empire. The City encompasses 15 square miles and is located 35 miles east of Los Angeles. The City was incorporated on May 15, 1906 and operated as a general law city. The City has a council-manager form of municipal government. The City Council is composed of five members elected to four year overlapping terms. The Mayor and Council Members are elected at large.

San Bernardino County is located in Southern California and was incorporated in 1853. The County encompasses an area of over 22,000 square miles, making it the geographically largest county in the nation, and includes twenty-four incorporated communities. The County is bordered on the west by Los Angeles County, on the north by Kern and Inyo counties and on the east and south by the County of Riverside. Composed essentially of three topographic regions—valley, mountain and desert—elevation in the County ranges from a high of 11,502 feet above sea level to a low of 181 feet above sea level. The Mojave Desert makes up much of the County, including the Mojave National Preserve in the eastern part of the County. The western part of the county includes the San Bernardino National Forest.

Population

The following table shows the population estimates in the City of Upland, County of San Bernardino and the State of California for years 2009 through 2018.

POPULATION ESTIMATES
City of Upland, County of San Bernardino and State of California
2009-2018

Year[(1)]	*City of Upland*	*County of San Bernardino*	*State of California*
2009	72,715	2,019,432	36,966,713
2010	73,732	2,033,141	37,223,900
2011	73,877	2,054,451	37,529,913
2012	73,957	2,070,638	37,874,977
2013	74,481	2,085,944	38,234,391
2014	74,996	2,100,689	38,568,628
2015	76,044	2,120,672	38,912,464
2016	76,670	2,133,906	39,179,627
2017	76,937	2,155,590	39,500,973
2018	77,017	2,174,938	39,809,693

(1) January 1 data.
Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and State, 2001-2010, with 2000 & 2010 Census Counts, Sacramento, California, November 2012 and E-4 Population Estimates for Cities, Counties and State, 2011-2018, with 2010 Benchmark, Sacramento, California, May 2018.

Personal Income

The following tables show the personal income and per capita personal income for the County, State of California and United States from 2010 through 2017.

PERSONAL INCOME
County of San Bernardino, State of California, and United States
2010-2017

Year	*County of San Bernardino*	*California*	*United States*
2010	$60,332,835	$1,627,839,000	$12,541,995,000
2011	64,038,851	1,738,413,100	13,315,478,000
2012	65,833,489	1,853,467,200	13,998,383,000
2013	67,618,657	1,885,672,400	14,175,503,000
2014	71,996,839	2,021,640,000	14,983,140,000
2015	76,867,970	2,173,299,700	15,711,634,000
2016	80,171,722	2,259,413,900	16,115,630,000
2017	83,741,561	2,364,129,400	16,820,250,000

Note: Dollars in Thousands for County of San Bernardino; dollars in millions for California and United States.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME[1]
County of San Bernardino, State of California, and United States
2013-2017

Year	*County of San Bernardino*	*California*	*United States*
2013	$32,404	$49,173	$44,826
2014	34,218	52,237	47,025
2015	36,245	55,679	48,940
2016	37,514	57,497	49,831
2017	38,816	59,796	51,640

(1) Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in thousands of current dollars (not adjusted for inflation) for the County of San Bernardino and millions of current dollars (not adjusted for inflation) for California and the United States.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures over the past five years for the City, County and State.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
City of Upland, County of San Bernardino and the State of California
2013-2017

Year and Area	*Labor Force*	*Employment*[2]	*Unemployment*[3]	*Unemployment Rate*[4]
2013				
City of Upland	36,500	33,800	2,600	7.3%
San Bernardino County	896,700	809,100	87,600	9.8
State of California	18,625,000	16,958,400	1,666,600	8.9
2014				
City of Upland	37,100	34,900	2,200	5.9%
San Bernardino County	907,500	834,900	72,600	8.0
State of California	18,758,400	17,351,300	1,407,100	7.5
2015				
City of Upland	37,800	36,100	1,800	4.7%
San Bernardino County	921,200	861,900	59,300	6.4
State of California	18,896,500	17,724,800	1,171,700	6.2
2016				
City of Upland	38,500	36,900	1,600	4.2%
San Bernardino County	932,300	878,400	53,900	5.8
State of California	19,093,700	18,048,800	1,044,800	5.5
2017				
City of Upland	38,700	37,700	1,000	2.5%
San Bernardino County	950,700	904,200	46,600	4.9
State of California	19,312,000	18,393,100	918,900	4.8

(1) Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
(2) Includes persons involved in labor-management trade disputes.
(3) Includes all persons without jobs who are actively seeking work.
(4) The unemployment rate is computed from un-rounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department, March 2017 Benchmark.

Industry

The following table summarizes the average annual industry employment in the County from 2013 through 2017.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES
Riverside, San Bernardino Ontario MSA
2013-2017

Type of Employment	*2013*	*2014*	*2015*	*2016*	*2017*
Total Farm	14,500	14,400	14,800	14,600	14,400
Mining & Logging	1,200	1,300	1,300	900	900
Construction	70,000	77,600	85,700	92,000	97,000
Manufacturing	87,300	91,300	96,100	98,600	98,700
Transportation, Warehousing & Utilities	78,500	86,600	97,400	107,300	120,200
Wholesale Trade	56,400	58,900	61,600	62,800	63,700
Retail Trade	164,800	169,400	174,300	178,000	182,100
Information	11,500	11,300	11,400	11,500	11,300
Financial Activities	41,800	42,900	43,900	44,600	44,500
Professional and Business Services	131,900	138,700	147,400	145,000	147,200
Education and Health Services	187,600	194,800	205,100	214,300	224,800
Leisure and Hospitality	135,900	144,800	151,700	160,200	165,700
Other Services	41,100	43,000	44,000	44,600	45,600
Government	225,200	228,800	233,300	242,300	250,000
Total	1,247,800	1,303,700	1,367,900	1,416,600	1,466,000

Note: Items may not add to total due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division. March 2017 Benchmark.

Largest Employers

The County's economy has always had a strong agricultural base, though industry has been developing rapidly in recent years. Over 700 manufacturing firms are located in the County producing items including many steel products, materials made from concrete and glass, canned foods, paper goods and commercial and scientific equipment. Within the County is a diverse employer base comprising both public entities and private corporations. The following table sets forth the top ten employers located in the County:

LARGEST EMPLOYERS
County of San Bernardino
2018

Employer	*Number Employed*[(1)(2)]
County of San Bernardino	>10,000
Loma Linda University Medical Center	>10,000
Amazon	>10,000
State of California	>10,000
Kaiser Permanente	5,000-9,999
Wal-Mart	5,000-9,999
San Bernardino City Unified School District	5,000-9,999
Stater Brothers	5,000-9,999
U.S. Government	5,000-9,999
United Parcel Service	5,000-9,999

(1) Data represents estimated number of employees.
(2) Due to the confidentiality of reporting number of employees, ranges have been provided.
Source: San Bernardino County "Comprehensive Annual Financial Report," Fiscal Year Ended June 30, 2018.

Unlike the County, the City's economy does not have a strong agricultural base due to the fact that most of the land is devoted to residential use. The City's economy is diverse and employment is very well distributed among employers.

LARGEST EMPLOYERS
City of Upland
2017

Employer	*Number Employed*
San Antonio Community Hospital	2,200
Upland Unified School District	1,037
City of Upland	406
Upland Rehabilitation & Care Center	320
Walmart	315
Target	265
Lowe's Home Center	254
Villa Mesa Care Center	250
Home Depot	240
Lewis Group	220

Source: City of Upland "Comprehensive Annual Financial Report" for the year ending June 30, 2017.

Commercial Activity

A summary of taxable sales within the County and City for years 2012 through third quarter of 2017 are shown in the following tables.

TAXABLE SALES
County of San Bernardino
2012-2017(1)
(Dollars in Thousands)

Year	*Retail and Food Permits*	*Retail and Food Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2012	35,095	$19,980,937	48,936	$29,531,921
2013	32,986	21,173,875	46,632	31,177,823
2014	34,455	22,240,376	48,349	33,055,967
2015	38,282	23,142,828	56,961	35,338,556
2016	38,366	24,242,145	57,542	36,981,694
2017(1)	38,427	18,660,519	57,837	28,171,271

(1) Reflects taxable sales through the third quarter of 2017.
Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

TAXABLE SALES
City of Upland
2012-2017[1]
(Dollars in Thousands)

Year	*Retail and Food Permits*	*Retail and Food Taxable Transactions*	*Total Permits*	*Total Outlets Taxable Transactions*
2012	1,302	$755,379	2,029	$907,817
2013	1,357	832,874	2,074	1,005,651
2014	1,445	885,860	2,146	1,076,032
2015	1,571	937,690	2,512	1,154,037
2016	1,580	952,215	2,549	1,175,963
2017[1]	1,602	719,687	2,571	891,866

(1) Reflects taxable sales through the third quarter of 2017.
Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

Building Activity

In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2013 through 2017 are shown in the following tables for both the County and the City.

BUILDING PERMIT VALUATIONS
San Bernardino County
2013-2017

	2013	*2014*	*2015*	*2016*	*2017*
Valuation ($000's)					
Residential	$ 666,166	$ 708,471	$1,056,572	$ 888,142	$1,366,023
Non-Residential	744,169	958,267	1,146,722	994,282	1,285,597
Total	$1,434,335	$1,666,738	$2,203,294	$1,882,424	$2,651,620
Units					
Single Family	1,874	1,937	2,753	2,896	4,253
Multiple Family	1,439	1,266	1,159	976	2,578
Total	3,313	3,203	3,912	3,872	6,831

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
City of Upland
2013-2017

	2013	*2014*	*2015*	*2016*	*2017*
Valuation ($000's)					
Residential	$6,837	$15,354	$2,720	$21,960	$32,741
Non-Residential	2,023	2,458	3,179	3,116	3,923
Total	$8,860	$17,812	$5,899	$25,076	$36,664
Units					
Single Family	32	41	42	80	115
Multi-Family	0	0	0	0	0
Total	32	41	42	80	115

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

Recreation and Tourism

The County includes many of southern California's most popular recreation areas. Not only do the mountain lakes and resorts offer summer swimming, boating, fishing and hiking, but they also provide for snow skiing and other winter sports. The Colorado River provides an all-year recreational area at the County's eastern boundary.

Transportation

Situated in the midst of the most heavily populated area in California, the County has easy access to excellent roads, rail and air transportation. The San Bernardino Freeway (Interstate 10) provides direct access to downtown Los Angeles and connects with major highways.

Rail and freight service is provided by the Santa Fe Railway and the Southern Pacific Company. Amtrak provides passenger service to Los Angeles to the west. Bus service is provided by Continental Trailways Bus System and Greyhound Bus Lines. The Omnitrans Transit District provides bus service among most County cities. Most interstate common carrier truck lines operating in California serve the County

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series E Bonds, payment of principal, premium, if any, accreted value and interest on the Series E Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series E Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series E 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 maturity, 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.

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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest 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 principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. 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.

11. 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.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES E BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES E BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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APPENDIX F

SAN BERNARDINO COUNTY TREASURER'S STATEMENT OF INVESTMENT POLICY

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OFFICE OF THE AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR COUNTY OF SAN BERNARDINO

TREASURER'S STATEMENT OF INVESTMENT POLICY

As approved by the Board of Supervisors on June 26, 2018

SCOPE:

The County of San Bernardino's Investment Policy has been prepared in accordance with California State law. This policy shall be reviewed annually by the County's Treasury Oversight Committee and approved by the County Board of Supervisors. The purpose of this policy is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the management and investment of the County Treasury Pool, which consists of the pooled monies held on behalf of the County, school districts, community college districts and certain special districts within the County.

This policy shall apply to all investments held within the County Treasury Pool and made on behalf of the County and member agencies of the Pool, with the exception of certain bond funds for which the Board of Supervisors may specifically authorize other allowable investments, consistent with State law. The Treasurer and Treasurer's staff are responsible for the full-time, active management of the Pool. All investments and activities of the Treasurer and staff are made with the understanding that the Treasurer holds a public trust with the citizens of the County, which shall not be compromised.

FIDUCIARY RESPONSIBILITY:

The California Government Code, Section 27000.3, declares each treasurer, or governing body authorized to make investment decisions on behalf of local agencies, to be a fiduciary subject to the prudent investor standard.

This standard requires that "*When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer or the board of supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law*." This standard shall be applied in the context of managing the overall portfolio.

PORTFOLIO OBJECTIVES:
It is the policy of the Treasurer to invest public funds in a manner that will preserve the safety and liquidity of all investments within the County investment pool while obtaining a reasonable return within established investment guidelines. The portfolio should be actively managed in a manner that is responsive to the public trust and consistent with State law. Accordingly, the County investment pool will be guided by the following principles, in order of importance:

- The primary objective of the Treasurer's investment of public funds is to safeguard investment principal.
- The secondary objective is to maintain sufficient liquidity to insure that funds are available to meet daily cash flow requirements.
- The third and last consideration is to achieve a reasonable rate of return or yield consistent with these objectives.

AUTHORITY:
The Treasurer's authority for making investments is delegated by the Board of Supervisors in accordance with the California Government Code. Statutory authority for the investment and safekeeping functions are found in Sections 53600 et seq. and 53630 et seq. of the California Government Code.

AUTHORIZED INVESTMENTS:
Investments shall be restricted to those authorized in the California Government Code and as further restricted by this policy statement, with the exception of certain bond funds in which the Board of Supervisors has specifically authorized other allowable investments. All investments shall be further governed by the restrictions shown in Schedule I, which defines the type of investments authorized, maturity limitations, portfolio diversification (maximum percent of portfolio), credit quality standards, and purchase restrictions that apply. Whenever a maximum allowable percentage of the portfolio is stated for any type of security as detailed above, the maximum allowable limit is determined by the portfolio size at the market close of the regular business day prior to the security purchase date. Maximum limits are applicable at the time of security purchase only unless otherwise noted or defined in Schedule I.

In conjunction with these restrictions, County Treasurer staff shall diversify its investments by security type, issuer and maturity as specified in Schedule I. The purpose of this diversification is to reduce portfolio risk by avoiding an overconcentration in any particular maturity sector, asset class or specific issuer. As Agency security holdings are the largest portion of the pool, diversification among the Agency issuers should be considered to the extent practical when making investments.

PROHIBITED INVESTMENTS:
No investment shall be made that is prohibited by law. Thus, no investments are authorized in inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, nor in any other investment that could result in zero interest if held to maturity. Additionally, the following types of investments are also prohibited:

- Mutual bond funds that do not maintain a constant Net Asset Value (NAV).
- Illiquid investments which lack a readily available market for trading. These investments are defined to be: private placement notes or bonds, funding agreements, master notes, and loan participations.

STAFF AUTHORIZED TO MAKE INVESTMENTS:
Only the Auditor-Controller/Treasurer/Tax Collector, Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, Investment Analyst(s) and authorized contracted consultant(s) may make investments and jointly order (with the settlement staff) the receipt and delivery of investment securities among custodial security clearance accounts. Authority granted to contracted consultant(s) shall be defined in their contract(s).

AUTHORIZED BROKER/DEALERS:
The County Treasurer shall maintain an 'Eligible Broker/Dealer List'. Security transactions are limited solely to those banks, direct issuers and dealers included on this list. All financial institutions must be approved by the County Treasurer before they receive County funds or are able to conduct business with the County Treasurer.

All firms with whom the County does business shall comply with the requirements set forth in Schedule IV. County Treasurer staff shall conduct an annual review of each Broker/Dealer's current financial condition and performance in servicing the County over the prior year. Furthermore, in compliance with Section 27133(c) & (d) of the California Government Code, no dealer and/or securities firm shall be eligible if they have made a political contribution in excess of the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board or exceeded the limit on honoraria, gifts, and gratuities set by State law, by the Fair Political Practices Commission, or by County ordinance.

DUE DILIGENCE:
County Treasurer staff shall conduct a thorough review and perform due diligence of all brokers, dealers, issuers of securities, and mutual funds prior to investing or conducting transactions with these parties and on a continuing basis. This due diligence shall include a periodic review of recent news, financial statements and SEC filings related to each entity.

INTERNAL CONTROLS:
The County Treasurer has established a system of internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets of the County Treasury Pool are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that the cost of control shall not exceed the benefits likely to be derived and that the valuation of costs and benefits require estimates and judgments by management. The County Treasurer shall develop and maintain written procedures for the operation of the investment program, which are consistent with this policy. These procedures shall include reference to separation of duties, safekeeping, collateralization, wire transfers and banking related activities.

Except for declared emergencies, the County Treasurer's Office shall observe the following procedures on a daily basis:

- Investment transactions in excess of overnight maturity conducted by the County Treasurer's office shall be documented and subsequently reviewed by the Treasurer.
- All investment transactions shall be entered into the Treasurer's accounting system.
- County investments shall be transacted, settled, accounted for, and audited by different people.

SECURITY CUSTODY & DELIVERIES:
All securities purchased shall be deposited for safekeeping with the custodial bank that has contracted to provide the County Treasurer with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. All security holdings shall be reconciled monthly by the County Treasurer and audited at least quarterly by the independent certified public accounting firm approved by the County Board of Supervisors. These third party trust department arrangements provide the County with a perfected interest in, ownership of and control over the securities held by the bank custodian on the County's behalf and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts.

All security transactions are to be conducted on a "delivery-versus-payment basis." Confirmation receipts on all investments are to be reviewed immediately for conformity with County transaction documentation. Confirmations resulting from securities purchased under repurchase agreements should clearly state the exact and complete nomenclature of the underlying securities purchased, that these securities have been sold to the County under a repurchase agreement, and the stipulated date and amount of the resale by the County back to the seller of the securities.

REPURCHASE AGREEMENTS:
Repurchase agreements are restricted to primary dealers of the Federal Reserve Bank of New York. All counterparties must sign a Securities Industry & Financial Markets Association (formerly known as The Bond Market Association) Master Repurchase Agreement and, for tri-party repurchase agreements, a Tri-Party Repurchase Agreement as well before engaging in any repurchase agreement transactions. Collateral for repurchase agreements shall have a market value of at least 102% of the amount invested and must be marked to market by staff or by an independent third-party or custodial bank acting under contract to the County. Collateral for term repurchase agreements shall be marked to market no less than once weekly. Repurchase agreements are required to be collateralized by securities authorized under Section 53601 et seq. of the California Government Code.

COMPETITIVE PRICING:
Investment transactions are to be made at current market prices. When possible, competitive prices should be obtained through multiple bids or offers and documented on the trade ticket or other written forms. When possible, bids and offers for any investment security should be taken from a minimum of three security broker/dealers or banks and awards should be made to the best offer. When identical securities are not available from multiple sources, or investments are purchased directly from issuers (e.g. commercial paper and certificates of deposit), market prices may be documented by reference to offerings of similar securities that are of comparable rating and maturity by other issuers.

LIQUIDITY:
The duration-to-maturity of the portfolio shall not exceed 2.00. To provide sufficient liquidity to meet daily expenditure requirements for the following 12 months, the portfolio shall maintain at least 40% of its par value in securities having a maturity of 12 months or less.

PERFORMANCE EVALUATION:
Portfolio performance is monitored daily by the Treasurer and monthly by third-party analysis, which includes security pricing, evaluation, and a total return measurement using the Bank of America Merrill Lynch 6-month Treasury Bill Index "G0O2" as a benchmark.

MITIGATING MARKET & CREDIT RISKS:
Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the credit ratings issued by Standard & Poor's, Moody's and/or Fitch rating services on the credit worthiness of each issuer of securities, by limiting the duration of investments to the time frames noted in Schedule I, and by maintaining the diversification and liquidity standards expressed within this policy.

In the event of a downgrade of a security held in the portfolio, the Investment Officer shall report the downgrade to the Treasurer promptly. In the event of a downgrade below the minimum credit ratings authorized by this policy, the security shall be evaluated to determine whether the security shall be sold or held. It is preferred to sell such a security if there is no book loss. In the event of a potential loss upon sale, the Treasurer will evaluate whether to hold or sell the security based on the amount of loss, remaining maturity and any other relevant factors.

TRADING & EARLY SALE OF SECURITIES:
Securities should be purchased with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, and increase the total return of the portfolio, securities may be sold prior to maturity, either at a profit or loss, when market conditions or a deterioration in credit worthiness of the issuer warrant a sale of the securities to either enhance overall portfolio yield or to minimize loss of investment principal. In measuring a profit or loss, the sale proceeds shall be compared to the original cost as per the County's books of the security plus accrued interest earned and/or any accretion or amortization of principal on the security from the date of purchase or the last coupon date to the date of sale. However, the sale of a security at a loss can only be made with the approval of the County Treasurer or his designee.

PURCHASE OF SECURITIES FOR FORWARD SETTLEMENT:
Purchases of securities for forward settlement are only authorized as long as the intent of the purchase is to hold them in the portfolio and not for speculative trading, sufficient cash is available to consummate their acceptance into the Treasurer's portfolio on the settlement date, there is the ability at purchase to hold them in the portfolio to maturity without violating any of the diversification/maturity limits of this policy, and the forward settlement period does not exceed 21 days.

PORTFOLIO REPORTS/AUDITING:
On a monthly basis, the County Treasurer shall prepare and file with the Board of Supervisors, Chief Executive Officer, Assistant Auditor-Controller/Treasurer/Tax Collector with Treasury oversight responsibility, Chief Deputy Auditor, Superintendent of Schools and Treasury Oversight Committee a report consisting of, but not limited to, the following:

- All investments detailing each by type, issuer, date of maturity, and par value and stating the book vs. current market value together with all other portfolio information required by law.
- Compliance of investments to the existing County Investment Policy.
- A statement confirming the ability of the Pool to meet anticipated cash requirements for the next six months.

TREASURY OVERSIGHT COMMITTEE:
In accordance with California Government Code Section 27131, the Board of Supervisors has established a Treasury Oversight Committee. The Treasury Oversight Committee will render unbiased and objective opinions on matters involving the Treasurer's investment of public funds. Specifically, the law requires that the Treasury Oversight Committee meet to:

- Review the Treasurer's annual Investment Policy Statement and any subsequent changes thereto prior to submission to the Board of Supervisors for review and adoption.
- Review the Treasurer's investment portfolio reports and the portfolio's compliance with law and this Investment Policy.
- Cause an annual audit to be conducted on the Treasurer's pooled investment portfolio.

The Treasury Oversight Committee shall receive a copy of every Audit Report as prepared by the independent certified public accounting firm approved by the County Board of Supervisors. Such reports are made in accordance with the California Government Code Sections 26920 and 26922 and County Board of Supervisor's resolution dated July 6, 1971, and which includes an evaluation of investments for compliance with California Government Code Section 53601 and 53635.

All meetings of the Oversight Committee are to be open to the public and subject to the Ralph M. Brown Act. By law, the Treasury Oversight Committee is not allowed to direct individual investment decisions, nor select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County Treasury. Members of the Oversight Committee are prohibited from accepting gifts or gratuities from investment advisors, brokers, dealers, bankers or other persons with whom the county treasury conducts business.

QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS:
All moneys deposited in the pool by the participants represent an individual interest in all assets and investments in the pool based upon the amount deposited. Portfolio income shall be reconciled daily against cash receipts and quarterly prior to the distribution of earnings among those entities sharing in pooled fund investment income. It is the intent of this policy to safeguard and maintain the principal value of funds invested and to minimize "paper losses" caused by changes in market value. Nonetheless, actual portfolio income and/or losses, and net of any reserves, will be distributed quarterly among those participants sharing in pooled investment income in compliance with the California Government Code. Except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the calendar quarter.

QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS:
Prior to the quarterly apportionment of pooled fund investment earnings, the County Treasurer is permitted, pursuant to the California Government Code, to deduct from investment earnings the actual cost of the investments, auditing, depositing, handling and distribution of such income. Accordingly, the Treasury shall deduct from pooled fund investment earnings the actual cost incurred for: banking services, wire transfers, custodial safekeeping charges, building remodeling costs and other capital outlays, the costs of investment advisory services, credit ratings, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the Treasurer/Tax Collector's office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions.

WITHDRAWAL OF FUNDS:

Any depositor or public official having funds on deposit, either voluntarily or involuntarily, with this pool, that seeks to withdraw these funds for the purpose of investing or depositing them outside the Treasury Pool, shall first submit a request for withdrawal to the Treasurer for approval prior to withdrawing funds.

The request should be submitted and processed as follows:

- In writing, from the governing authority of the funds being withdrawn. The request should state the amount, date of transfer, where investment and/or deposit is to be made, and the reason for the request.
- The request must be received by the County Treasurer no less than thirty (30) days prior to the requested date of withdrawal.
- Prior to approving a withdrawal, the County Treasurer shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the County Treasury pool, in accordance with California Government Code Section 27136(b).

CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY INTO THE TREASURY POOL:

The County Treasurer is not soliciting nor accepting any new agency's voluntary entry into the Treasury Pool.

ETHICS & CONFLICTS OF INTEREST:

Officers and staff members involved in the investment process shall refrain from any personal business activity that compromises the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. The Auditor-Controller/Treasurer/Tax Collector, Assistant Auditor-Controller/Treasurer/Tax Collector with Treasury oversight responsibility, 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 Assistant Auditor-Controller/Treasurer/Tax Collector with Treasury oversight responsibility, Chief Deputy Treasurer, Investment Officer, Assistant Investment Officer, Investment Analyst(s), and any outside investment advisors or contracted consultants are required to sign and abide by an Ethics Policy instituted by the Auditor-Controller/Treasurer/Tax Collector.

POLICY ADOPTION & AMENDMENTS:

This policy statement will become effective immediately following adoption by the Board of Supervisors. It will remain in force as long as the delegation of authority to the Treasurer to invest is in effect and until the policy statement is subsequently amended in writing by the County Auditor-Controller/Treasurer/Tax Collector, reviewed by the Treasury Oversight Committee and approved by the Board of Supervisors.

COUNTY OF SAN BERNARDINO INVESTMENT POLICY

OFFICE OF THE AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR (SCHEDULE I)

AUTHORIZED INVESTMENTS	DIVERSIFICATION	PURCHASE RESTRICTIONS	MATURITY (not to exceed)	MINIMUM ALLOWABLE CREDIT QUALITY (S&P/MOODY'S/FITCH)
United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the U. S. are pledged for the payment of principal and interest	100%	None	5 years	Not Applicable
Notes, participations or obligations issued or fully guaranteed as to principal and interest by an agency of the Federal Government or U.S. government-sponsored enterprises (excluding mortgage-backed securities)	100%	Senior debt only	5 years	Not Applicable
Notes, participations or obligations issued or fully guaranteed as to principal and interest by the International Bank for Reconstruction and Development, the International Finance Corporation, and/or the Inter-American Development Bank	30%	US Dollar denominated Senior Unsecured debt only	5 years	AA by at least one rating agency
Bonds, notes, warrants or certificates of indebtedness issued by agencies of and/or within the County of San Bernardino	10%	With approval of Treasurer	5 years	AAA by at least 2 of the 3 rating agencies*
Commercial paper of U.S. Corps with total assets in excess of $500 MM	40% total for all Commercial Paper	Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit	270 Days	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)*
Asset-backed Commercial Paper	40% total for all Commercial Paper	Issuer must have program-wide credit enhancements	270 Days	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 (if rated)*
Negotiable CDs issued by approved banks	30%	Max 5% of portfolio by any one issuer, subject to 5% overall corporate issuer limit	3 years from settlement date	Rated by at least 2 of the 3 rating agencies, minimum A-1, P-1, and/or F1 short-term rating or long-term letter rating of A- and/or A3, or higher (if rated)*
Collateralized Certificates of Deposit	10%	As stipulated in Article 2, Section 53630 et al. of the Calif. Govt. Code	1 year from settlement date	See Section 53630 et al. of the California Government Code

Repurchase Agreements with 102% collateral	40%	Repurchase Agreements (contracts) must be on file	180 days	Restricted to Primary Dealers on Eligible Broker/Dealer List
Reverse Repurchase Agreements	10%	See Schedule II	92 days (See Schedule II)	Restricted to Primary Dealers on Eligible Broker/Dealer List
Medium Term Notes of U.S. Corporations & Depository Institutions and/or Corporate or Bank notes	20% (shall not exceed 10% over 13 months)	Max $200MM par value of any one issuer, subject to 5% overall corporate issuer limit.	3 years and 2 months (38 months) from settlement date	Rated long-term A- and/or A3, or higher by at least 2 of the 3 rating agencies*
Asset-Backed Securities	10%	Max $200MM par value of any one issuer, subject to 5% overall special purpose entity** limit	2.75 Weighted Average Life and 5 years	As per Section 53601(o) of the California Government Code
FDIC Insured Deposit Accounts Authorized under California Government Code Sections 53601.8 & 53635.8	5%	Max $50MM per selected depository institution. Max $100MM per placement service	Term Deposits not permitted	Not Applicable
JPA Investment Pools authorized under California Government Code Section 53601(p)	5%	Max $200MM per JPA Pool Maintain Constant Net Asset Value (NAV)	Immediate Liquidity	AAA by at least one rating agency
Money Market mutual funds that meet requirements of California Government Code	15%	Registered with SEC. No NAV adjustments. No loads. Max 10% per fund.	Immediate Liquidity	AAA by at least 2 of the 3 rating agencies*
* Standard & Poor's Ratings Services, Moody's Investors Service Inc., and Fitch Ratings Ltd. ** See Glossary Terms				

OFFICE OF THE AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
COUNTY OF SAN BERNARDINO
STATEMENT OF INVESTMENT POLICY

SCHEDULE II

POLICY STATEMENT ON REVERSE REPURCHASE AGREEMENTS AND SECURITIES LENDING AGREEMENTS

The Treasurer hereby institutes the following policies as further safeguards governing investments in Reverse Repurchase Agreements and Securities Lending Agreements:

1. The total of Reverse Repurchase Agreement and Securities Lending Agreement transactions shall not exceed 10 percent of the base value of the portfolio.

2. The term of such agreements shall not exceed 92 calendar days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using such an agreement and the final maturity date of the same security.

3. All loaned securities subject to Reverse Repurchase Agreements or Securities Lending Agreements shall be properly flagged and immediately accounted for in the Treasurer's financial system.

4. Investments purchased from the loaned proceeds of the Reverse Repurchase Agreement shall have maturities not exceeding the due date for repayment of the Reverse Repurchase Agreement transaction.

5. Only U.S. Treasury Notes and Federal Agency securities owned, fully paid for, and held in the Treasurer's portfolio for a minimum of 30 days can be subject to Reverse Repurchase Agreement and Securities Lending Agreement transactions.

6. Reverse Repurchase Agreements and Securities Lending Agreements shall only be placed on portfolio securities that are intended to be held to maturity, have been fully paid for, and have been held in the portfolio for a minimum of 30 days.

7. Reverse Repurchase Agreements and Securities Lending Agreements shall only be made with primary dealers of the Federal Reserve Bank of New York.

8. A contractual agreement must be in place prior to entering into a Reverse Repurchase Agreement or Securities Lending Agreement with any authorized primary dealer.

9. Reverse Repurchase Agreement and Securities Lending Agreement transactions shall have the approval of the County Treasurer.

OFFICE OF THE AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
COUNTY OF SAN BERNARDINO
STATEMENT OF INVESTMENT POLICY

SCHEDULE III

POLICY CRITERIA FOR COLLATERALIZED CERTIFICATE OF DEPOSITS

1. The bank must provide us with an executed copy of the authorization for deposit of moneys.

2. The money-market yield on the certificate of deposit must be competitive with negotiable CD's offered by banks on the county's pre-approved list in the maturities desired by the County. The County Treasurer's Office reserves the right to negotiate higher yields based on market conditions at the time.

3. Collateral Requirements: the County will only accept U.S. Treasury and/or Agency securities as collateral. The collateral must be held by a separate custodial bank in an account in the name of San Bernardino County. The County must have perfected interest in the collateral. The maximum maturity of securities is 5 years, the collateral must be priced at 110% of the face value of the CD on a daily basis, and the minimum face value per pledged security is $5 million. The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. Additionally, a statement of the collateral shall be provided on a monthly basis from the custodial bank.

4. The County Treasurer must be given a current audited financial statement for the financial year just ended. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.

5. The County Treasurer must receive a certificate of deposit, which specifically expresses the terms governing the transaction, such as: deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc.).

6. Notwithstanding the above, the certificate of deposit must meet the requirements of Fitch Ratings Ltd. for the County to maintain its AAA pool rating. These requirements typically include an A-1/P-1 and/or F1 short-term rating. The County may rely on credit ratings of Standard & Poor's, Moody's and Fitch to determine the creditworthiness of an institution and/or may supplement this research with its own financial analysis.

7. Deposits will only be made with banks and savings and loans having branch office locations within San Bernardino County.

SCHEDULE IV

POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS

1. All financial institutions wishing to be considered for the County of San Bernardino's Broker/Dealer List must confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses.

2. The County Treasurer's intent is to enter into a long-term relationship. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.

3. The firm must acknowledge receipt of the County Treasurer's written Investment Policy guidelines.

4. It is important that the firm provide related services that will enhance the account relationship, which could include:

   (a) An active secondary market for its securities.
   (b) Internal credit research analysis on commercial paper, bankers' acceptances and other securities it offers for sale.
   (c) Be willing to purchase securities from our portfolio.
   (d) Be capable of providing market analysis, economic projections, and newsletters.

5. The firm must provide the County with annual financial statements. All firms with whom the County does business must have a stable financial condition.

6. The County Treasury is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's custodial bank.

7. Without exception, all transactions are to be conducted on a delivery vs. payment (DVP) basis or, for repurchase agreements, on a tri-party basis.

8. The broker/dealer must have been in operation for more than five (5) years.

9. Firms must have adequate financial strength and capital to support the level of trading that is approved. Adequate financial strength will be assessed by a review of the balance sheet and income statement of the dealer. Broker/dealers with less than $10 million of net capital may be approved for trading that is limited in maturity or amount or may not be approved for extended settlement trades.

10. Repurchase agreement counterparties will be limited to primary government securities dealers who report to the Federal Reserve Bank of New York and meet the following criteria:

    (a) Counterparties must have a minimum of one short-term credit rating of at least A-1, P-1, and/or F1.
    (b) Counterparties and/or their parent must have a minimum of $25 billion in assets and $350 million in capital.

GLOSSARY OF TERMS

ACCRUED INTEREST – Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

AGENCY ISSUES – Securities issued by federal agencies, those chartered by the federal government or Government Sponsored Enterprises that are considered to be backed by the federal government. See also Government Sponsored Enterprises.

AMORTIZED COST – The original cost of the principal adjusted for the periodic reduction of any discount or premium from the purchase date until a specific date (also called "Book Value").

ASSET-BACKED SECURITY (ABS) – A financial security backed by a loan, lease, or receivables against assets other than real estate and mortgage-backed securities.

BANKERS ACCEPTANCE – Money market instrument created from transactions involving foreign trade. In its simplest and most traditional form, a bankers' acceptance is merely a check, drawn on a bank by an importer or exporter of goods.

BASIS POINT – A unit of measurement equal to 1/100 of 1 percent. As an example, the difference between a security yielding 3.25% and one yielding 3.20% is five basis points.

BENCHMARK – An index or security used to compare the performance of a portfolio.

BOND – A long-term debt instrument of a government or corporation promising payment of the original investment plus interest by a specified future date.

BULLET – A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.

CALLABLE BOND – A bond in which all or a portion of its outstanding principal may be redeemed prior to maturity by the issuer under specified conditions.

COLLATERALIZATION – Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

COLLATERALIZED CERTIFICATE OF DEPOSIT – An instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is collateralized by the bank with securities at a minimum of 110% of the deposit amount.

COMMERCIAL PAPER – Money Market instrument representing an unsecured short-term promissory note of a corporation at a specified rate of return for a specified period of time.

COUPON – The stated interest rate on a debt security that an issuer promises to pay.

CREDIT QUALITY – An indication of risk that an issuer of a security will fulfill its obligation, as rated by a rating agency.

CREDIT RATING – A standardized assessment, expressed in alphanumeric characters, of a company's creditworthiness.

CREDIT RISK – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CUSIP – A unique identifier for a security developed by the Committee on Uniform Security Identification Procedures (CUSIP). The identifier is a nine-digit alphanumeric character. The first six characters identify the issuer, the following two identify the issue, and the final character is a check digit.

DERIVATIVES – Securities that derive their value from that of another security or an underlying index, currency or other measure. Floating rate notes (also “floaters”) are not considered derivatives.

DISCOUNT INSTRUMENTS – Securities that are sold at a discount to face value.

DIVERSIFICATION – The practice or concept of investing in a range of securities by sector, maturity, asset class or credit quality in order to reduce and spread financial risk.

DOLLAR WEIGHTED AVERAGE MATURITY – The sum of the amount of each security investment multiplied by the number of days to maturity, divided by the total amount of security investments.

DURATION – Is a measure of the price volatility of a portfolio and reflects an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in the interest rates. A duration of 1.0 means that for every one percent increase in interest rates, the market value of the Portfolio would decrease by 1.0 percent.

EARNINGS APPORTIONMENT – Is the quarterly interest distribution to the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

GOVERNMENT OBLIGATIONS – Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations of the Federal Government, but involve Federal sponsorship or guarantees.

GOVERNMENT SPONSORED ENTERPRISES (GSE’S) – Private, shareholder-owned companies with a relationship with government agencies. These agencies generally are viewed to have an implied guarantee of the U.S. government. These include:

Federal National Mortgage Association (FNMA)
Federal Home Loan Bank (FHLB)
Federal Farm Credit Bank (FFCB)
Federal Home Loan Mortgage Corporation (FHLMC)

HIGHLY LIQUID – The most eminent type of security that is easily converted to cash because there are many interested buyers and sellers to trade large quantities at a reasonable price.

ILLIQUID – A security that is difficult to buy or sell or has a wide spread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

INTEREST RATE RISK – The risk associated with declines or rises in interest rates that cause an investment in a fixed-income security to increase or decrease in value. Also called “Market Risk”.

INVERSE FLOATERS – Floating rate notes that pay interest in inverse relationship to an underlying index.

LIQUID – A security that is easily bought and sold because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

LOCAL AGENCY OBLIGATION – An indebtedness issued by a local agency, department, board, or authority within the State of California.

LONG-TERM – The term used to describe a security when the maturity is greater than one year.

MARKET VALUE – An estimate of the value of a security at which the principal would be sold from a willing seller to a willing buyer at the date of pricing.

MEDIUM TERM NOTES – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

MONEY MARKET MUTUAL FUND – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

NEGOTIABLE CERTIFICATE OF DEPOSIT – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is traded in secondary markets.

PAR – The stated maturity value, or face value, of a security.

PASS-THROUGH SECURITIES – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

POOL – In this context, the pooled monies of different government agencies administered by the County Treasurer. Each pool member owns a fractional interest in the securities held in the Pool.

PORTFOLIO VALUE – The total book value amount of all the securities held in the Treasurer's Pooled Money Fund.

PRIMARY DEALER – A group of dealers and banks that can buy and sell securities directly with the Federal Reserve Bank of New York.

PRIVATE PLACEMENTS – Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

RANGE NOTES – Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

REPURCHASE AGREEMENT – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the County), the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

REVERSE REPURCHASE AGREEMENT – The mirror image of Repurchase Agreements. In this instance the County Pool is the seller of securities to an investor (i.e. brokers).

SAFEKEEPING – A custodian bank's action to store and protect an investor's securities by segregating and identifying the securities.

SECURITIES LENDING – A transaction wherein the Treasurer's Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SHORT-TERM – The term used to describe a security when the maturity is one year or less.

SPECIAL PURPOSE ENTITY (or TRUST) - A legally separated pass-through entity, trust or equivalent that makes its obligation secure and independent from the parent entity. This term is used to define purchase of

Asset-Backed Securities at either the depositor or master trust level.

TOTAL RETURN – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

VOLUNTARY PARTICIPANTS – Local agencies that are not required to deposit their funds with the County Treasurer.

WEIGHTED AVERAGE LIFE (WAL) – The average number of years for which each dollar of unpaid principal on a loan or mortgage remains outstanding. Once calculated, WAL tells how many years it will take to pay half of the outstanding principal.

WEIGHTED AVERAGE MATURITY – The remaining average maturity of all securities held in a portfolio. See Dollar Weighted Average Maturity.

WHEN-ISSUED SECURITIES – A security traded before it receives final trading authorization with the investor receiving the certificate/security only after the final approval is granted.

YIELD – The gain, expressed as a percentage that an investor derives from a financial asset.

YIELD TO MATURITY – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

APPENDIX G

COUNTY INVESTMENT POOL MONTHLY REPORT

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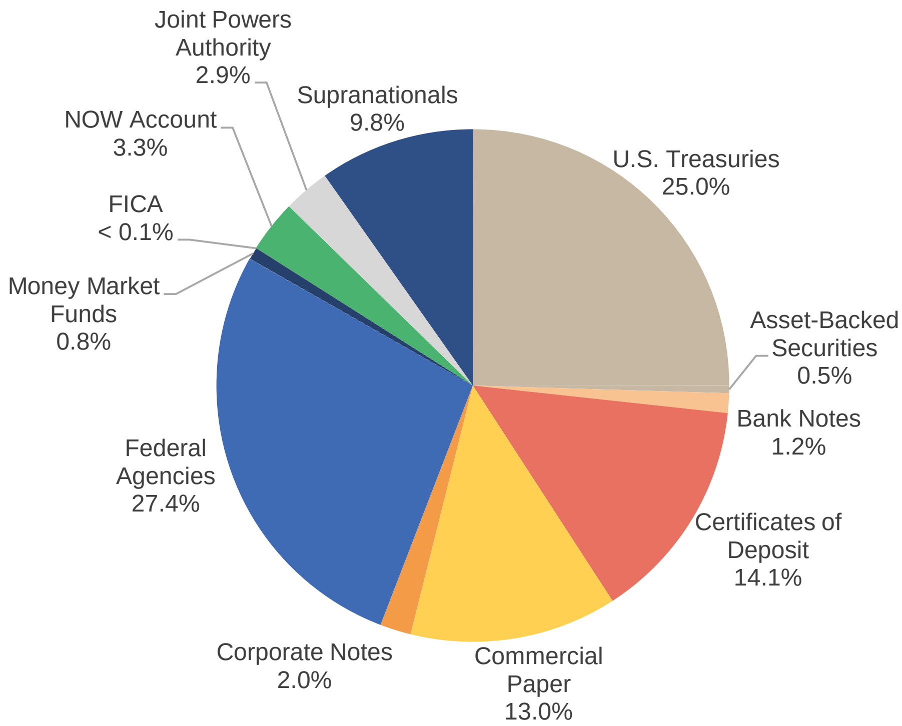
San Bernardino County Pool Summary (as of 3/31/2019)

Security Type	Par Value	Amortized Cost	Market Value	Market % of Portfolio	Yield to Maturity at Cost	Wtd. Avg. Maturity	Modified Duration
Asset-Backed Securities	32,500,000.00	32,496,944.42	32,633,141.00	0.5%	2.85%	1245	1.61
Bank Notes	85,000,000.00	84,979,804.10	85,066,275.00	1.2%	2.67%	655	1.72
Certificates of Deposit	965,000,000.00	965,000,000.00	965,236,587.55	14.1%	2.54%	84	0.23
Collateralized CD	0.00	0.00	0.00	-	-	-	-
Commercial Paper	895,000,000.00	891,361,158.15	891,342,565.00	13.0%	2.58%	56	0.15
Corporate Notes	134,250,000.00	133,646,002.49	134,103,874.50	2.0%	2.50%	552	1.45
Federal Agencies	1,868,347,000.00	1,866,466,397.55	1,869,335,460.06	27.4%	2.13%	596	1.56
Money Market Funds	52,000,000.00	52,000,000.00	52,000,000.00	0.8%	2.30%	1	-
Municipal Debt	0.00	0.00	0.00	-	-	-	-
Repurchase Agreements	0.00	0.00	0.00	-	-	-	-
Bank Deposit Account	1,000,000.00	1,000,000.00	1,000,000.00	0.0%	2.37%	1	-
NOW Account	225,000,000.00	225,000,000.00	225,000,000.00	3.3%	2.60%	1	-
Joint Powers Authority	200,000,000.00	200,000,000.00	200,000,000.00	2.9%	2.59%	1	-
Supranationals	670,000,000.00	669,979,853.10	669,259,600.00	9.8%	1.72%	413	1.08
U.S. Treasuries	1,725,000,000.00	1,710,920,585.50	1,706,024,200.00	25.0%	1.97%	573	1.52
Total Securities	**6,853,097,000.00**	**6,832,850,745.31**	**6,831,001,703.11**	**100.0%**	**2.21%**	**391**	**1.03**
Cash Balance	206,061,747.96	206,061,747.96	206,061,747.96				
Total Investments	**7,059,158,747.96**	**7,038,912,493.27**	**7,037,063,451.07**				
Accrued Interest		25,217,858.24	25,217,858.24				
Total Portfolio	**7,059,158,747.96**	**7,064,130,351.51**	**7,062,281,309.31**				

1. Yield for the money market funds is a weighted average of the month-end yields for the Federated, Goldman, and Fidelity money market funds.
2. Statistics for the total portfolio include money market funds.
3. Market prices are derived from closing bid prices as of the last business day of the month as supplied by F.T. Interactive Data, Bloomberg, or Telerate.

Sector Distribution

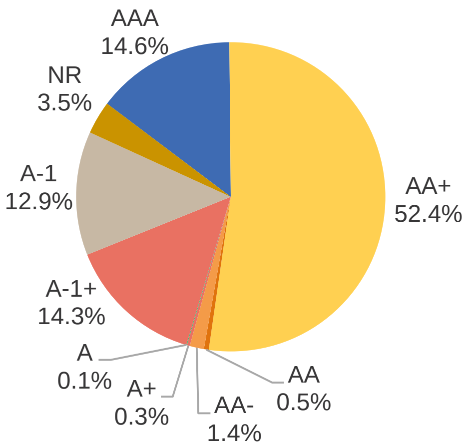


Sector	Market Value
Asset-Backed Securities	$32,633,141
Bank Notes	$85,066,275
Certificates of Deposit	$965,236,588
Collateralized CD	$0
Commercial Paper	$891,342,565
Corporate Notes	$134,103,874
Federal Agencies	$1,869,335,460
Money Market Funds	$52,000,000
Municipal Debt	$0
Repurchase Agreements	$0
FICA	$1,000,000
NOW Account	$225,000,000
Joint Powers Authority	$200,000,000
Supranationals	$669,259,600
U.S. Treasuries	$1,706,024,200

Percentages may not sum to 100% due to rounding.

Credit Quality Distribution

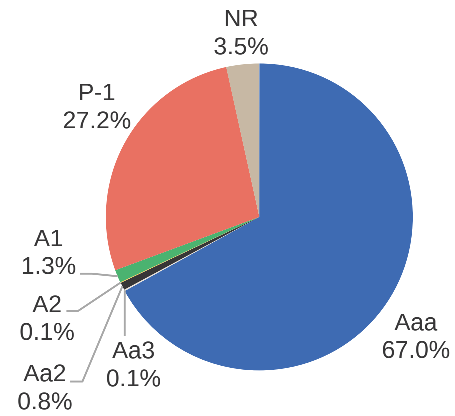
S&P RATINGS



Credit Rating	Market Value
A-1+ (Short-Term)	$974,078,802
A-1 (Short-Term)	$882,500,350
AAA (Long-Term)	$996,562,536
AA+ (Long-Term)	$3,580,336,960
AA (Long-Term)	$34,241,155
AA- (Long-Term)	$101,930,182
A+ (Long-Term)	$20,268,147
A (Long-Term)	$5,045,360
Not Rated	$236,038,211

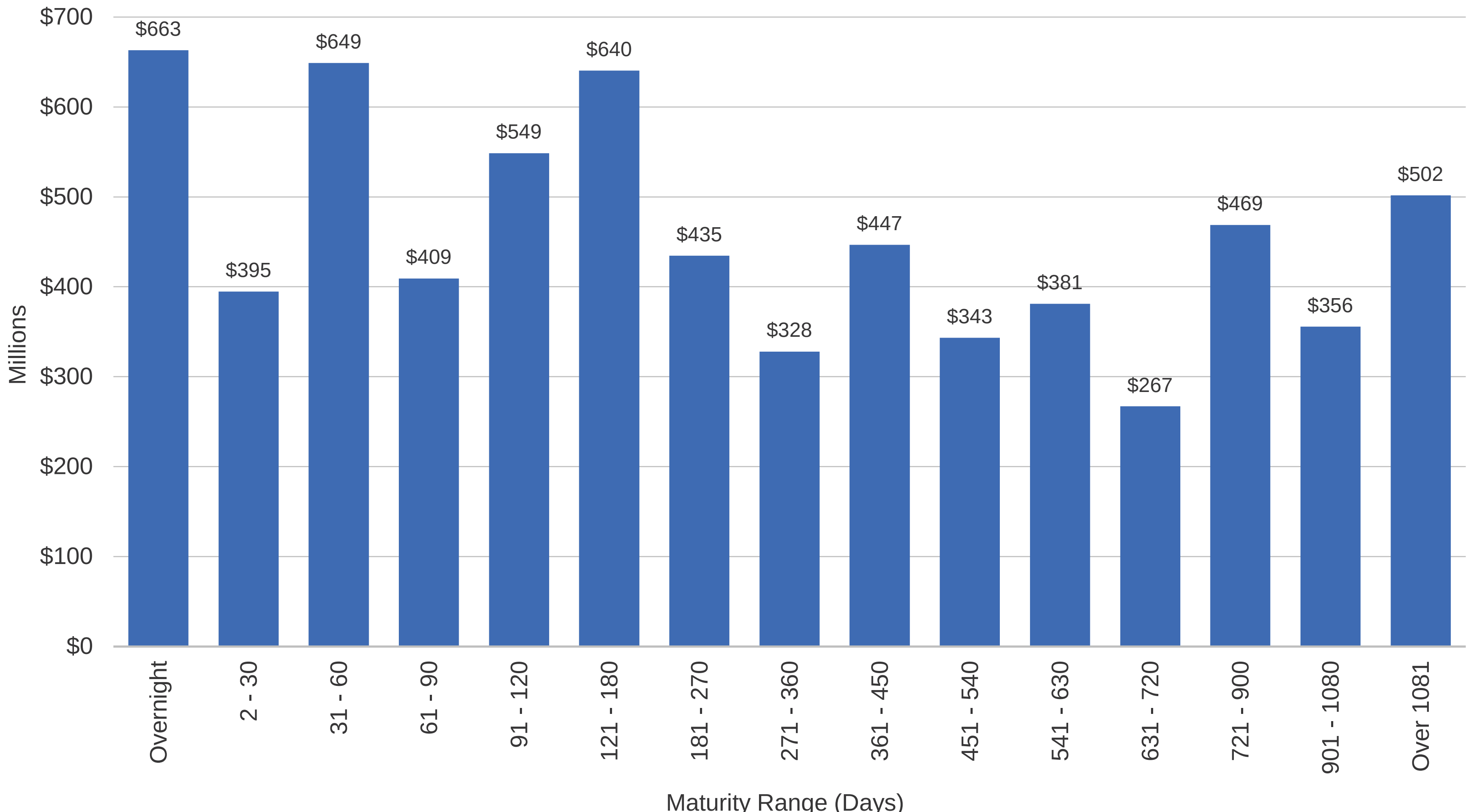
Percentages may not sum to 100% due to rounding.

MOODY'S RATINGS



Credit Rating	Market Value
P-1 (Short-Term)	$1,856,579,153
Aaa (Long-Term)	$4,576,406,964
Aa3 (Long-Term)	$10,010,780
Aa2 (Long-Term)	$54,509,301
Aa1 (Long-Term)	$0
A3 (Long-Term)	$0
A2 (Long-Term)	$5,045,360
A1 (Long-Term)	$91,919,402
Not Rated	$236,530,743

Maturity Distribution



Maturity range assumes no securities are called.

San Bernardino County Pool Portfolio Yield Summary

Month	Yield to Maturity At Cost
March 2018	1.59%
April 2018	1.71%
May 2018	1.74%
June 2018	1.85%
July 2018	1.86%
August 2018	1.89%
September 2018	1.93%
October 2018	2.01%
November 2018	2.03%
December 2018	2.11%
January 2019	2.15%
February 2019	2.18%
March 2019	**2.21%**

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.