

**NEW ISSUE—FULL BOOK-ENTRY**

**RATING: “Moody’s: “Aa2”**  
**(See “MISCELLANEOUS – Rating” herein)**

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

**\$6,000,000\***  
**CLAREMONT UNIFIED SCHOOL DISTRICT**  
**(Los Angeles County, California)**  
**Election of 2016 General Obligation Bonds, Series C**  
**(Bank Qualified)**

**Dated: Date of Delivery**

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

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

The Claremont Unified School District (Los Angeles County, California) Election of 2016 General Obligation Bonds, Series C (the “Bonds”), were authorized at an election of the registered voters of the Claremont Unified School District (the “District”) held on November 8, 2016, at which the requisite fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$58,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to (i) finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities, and (ii) pay the costs of issuing the Bonds.

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of Los Angeles County is empowered and obligated to annually levy such *ad valorem* property 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 principal of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as “DTC”). Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees.

The Bonds will be dated as of their date of initial delivery (the “Date of Delivery”) and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2020. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by the designated Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. U.S. Bank National Association has been appointed as agent of the Treasurer and Tax Collector of Los Angeles County to act as Paying Agent for the Bonds.

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

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

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



Dated: \_\_\_\_\_, 2020

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy 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.

**MATURITY SCHEDULE\***

**Base CUSIP<sup>(1)</sup>:**

\$ \_\_\_\_\_  
**CLAREMONT UNIFIED SCHOOL DISTRICT**  
**(Los Angeles County, California)**  
**Election of 2016 General Obligation Bonds, Series C**  
**(Bank Qualified)**

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

\$ \_\_\_\_\_ - \_\_\_\_\_% **Term Bonds due August 1, 20\_\_**; Yield: \_\_\_\_\_%; **CUSIP Suffix<sup>(1)</sup>:**

\$ \_\_\_\_\_ - \_\_\_\_\_% **Term Bonds due August 1, 20\_\_**; Yield: \_\_\_\_\_%; **CUSIP Suffix<sup>(1)</sup>:**

\* Preliminary, subject to change.

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

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

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

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

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

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

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

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

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

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**Board of Education**

Nancy Treser Osgood, *Vice President*<sup>(1)</sup>  
David S. Nemer, *Clerk*  
Hilary LaConte, *Member*  
Steven Llanusa, *Member*

**District Administration**

James Elsasser Ed.D., *Superintendent*  
Lisa Shoemaker, *Assistant Superintendent, Business Services*

**PROFESSIONAL SERVICES**

**Bond Counsel and Disclosure Counsel**

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

**Municipal Advisor**

NHA Advisors, LLC  
*San Rafael, California*

**Paying Agent**

U.S. Bank National Association, as agent of the  
Treasurer and Tax Collector of Los Angeles County  
*Los Angeles, California*

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<sup>(1)</sup> Dr. Beth Bingham resigned from the District effective as of March 6, 2020. Under the Board's bylaws, the Board's current Vice President will carry out the duties of the President. The Board expects to appoint a successor to Dr. Bingham at its April 16, 2020 meeting, at which time a new president will also be selected.

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**\$6,000,000\***  
**CLAREMONT UNIFIED SCHOOL DISTRICT**  
**(Los Angeles County, California)**  
**Election of 2016 General Obligation Bonds, Series C**

**INTRODUCTION**

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

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

**The District**

The Claremont Unified School District (the “District”) was established in 1892 as Claremont City District and was unified in 1936. The District is located 36 miles east of Los Angeles, California. The District covers the approximately 14.5 square miles of the City of Claremont and approximately 50 square miles of wilderness area, serves the City of Claremont, small portions of the Cities of Pomona and La Verne and some unincorporated areas of Los Angeles County. The District operates seven elementary schools (one of which includes a program serving the orthopedically handicapped), an intermediate school, a comprehensive high school and a continuation school, and serves a population of approximately 35,000 residents. For fiscal year 2019-20, the District’s projected average daily attendance (“ADA”) for is 6,649 students and taxable property has an assessed valuation of \$6,211,980,747. However, the District’s actual pupil attendance, and associated ADA figures, may be impacted by the current coronavirus outbreak. See “DISTRICT FINANCIAL INFORMATION –Considerations Regarding COVID-19” herein.

The District is governed by a five-member Board of Education (the “District Board”), each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between two and three available positions. The Board currently has one vacancy, following the resignation of the Board president. The Board expects to appoint a successor at its April 16, 2020 meeting, at which time the Board will select a new president. The management and policies of the District are administered by a Superintendent appointed by the District Board who is responsible for day-to-day District operations as well as the supervision of the District’s other personnel. James Elsasser Ed.D. is currently the District’s Superintendent.

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

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\* Preliminary, subject to change.

## **Purpose of the Bonds**

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

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

The Bonds are issued pursuant to certain provisions of the Government Code (the “Government Code”) and pursuant to a resolution adopted by the District Board on March 19, 2020 (the “Resolution”). See “THE BONDS – Authority for Issuance” herein.

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

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

## **Description of the Bonds**

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

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

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

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

***Payments.*** The Bonds will be dated as of the date of their initial execution and issuance (the “Date of Delivery”) and will be issued as current interest bonds, such that interest will accrue from the Date of Delivery and be payable semiannually on each February 1 and August 1, commencing August 1,

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\* Preliminary, subject to change.



2020 (each, a “Bond Payment Date”). Principal on the Bonds is payable on August 1 of each year, as shown on the inside cover page hereof.

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

### **Bank Qualified**

The District will designate the Bonds as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution’s interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Code (as defined herein).

### **Tax Matters**

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

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

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

### **Continuing Disclosure**

Pursuant to that certain Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events. These covenants will be made in order to assist Piper Sandler & Co. (the “Underwriter”) to comply with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be made available and of the notices of listed events is summarized below under “LEGAL MATTERS – Continuing Disclosure – Current Undertaking” herein and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

### **Professionals Involved in the Offering**

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. NHA Advisors, LLC, San Rafael, California is acting as Municipal Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation and NHA Advisors will receive compensation from

the District contingent upon the sale and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds or the District.

### **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Claremont Unified School District, 170 West San Jose Ave, Claremont, California 91711, telephone: (909) 398-0609. The District may impose a charge for copying, mailing and handling.

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

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

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

## **THE BONDS**

### **Authority for Issuance**

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), commencing with Section 53506 *et seq.*, as amended, Article XIII A of the California Constitution and the Resolution. The District received authorization at an election held on November 8, 2016 by the requisite fifty-five percent of the votes cast by eligible voters within the District to issue \$58,000,000 aggregate principal amount of general obligation bonds (the "2016 Authorization"). The Bonds are the third and final series of bonds issued under the 2016 Authorization, and following the issuance thereof, none of the 2016 Authorization will remain unissued.

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

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* property 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 principal of and interest on the Bonds when due.

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

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

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

### **Statutory Lien**

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

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

## **General Provisions**

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. Beneficial Owners will not receive certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees.

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

The principal of the Bonds will be payable in lawful money of the United States of America to the registered Owner thereof, upon the surrender thereof at the principal office of the Paying Agent. The interest on the Bonds will be payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month preceding any Bond Payment Date (a "Record Date"), whether or not such day is a business day, such interest to be paid by wire transfer on such Bond Payment Date to such bank and account number as the registered Owner may have filed with the Paying Agent for that purpose. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds. See "THE BONDS – Book-Entry Only System."

## Annual Debt Service

The following table displays the annual debt service requirements of the Bonds, together with a summary of the District’s outstanding bonded debt service (assuming no optional redemptions):

Year Ending Aug. 1	Outstanding Bonded Debt Service	The Bonds		
		Principal Payment	Interest Payment <sup>(1)</sup>	Total Debt Service Payments
2020	\$6,890,356.26			
2021	5,719,656.26			
2022	5,403,856.26			
2023	5,398,856.26			
2024	5,404,656.26			
2025	5,400,656.26			
2026	5,402,056.26			
2027	5,826,856.26			
2028	5,841,106.26			
2029	3,044,456.26			
2030	3,056,256.26			
2031	3,077,606.26			
2032	3,087,106.26			
2033	3,099,506.26			
2034	3,118,793.76			
2035	3,134,568.76			
2036	3,142,606.26			
2037	3,162,156.26			
2038	3,178,587.50			
2039	3,196,150.00			
2040	3,209,900.00			
2041	3,227,900.00			
2042	3,249,650.00			
2043	3,264,650.00			
2044	3,282,900.00			
2045	3,295,575.00			
2046	3,262,750.00			
2047	3,213,250.00			
2048	<u>1,659,000.00</u>			
Total	<u>\$113,251,425.18</u>			

<sup>(1)</sup> Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2020.

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

## Application and Investment of Bond Proceeds

The proceeds of the sale from the Bonds, net of costs of issuance and any premium received upon the sale thereof, will be deposited by the County to the credit of the building fund created by the Resolution (the “Building Fund”), and will be applied solely for the purposes for which the Bonds are being issued. Interest earnings in the Building Fund will be retained therein. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued, upon written notice from the District, will be transferred to the Debt Service Fund and applied to the payment of the principal of and interest on the Bonds.

The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, are required to be held separate and apart by the County in the debt service fund created by the Resolution (the “Debt Service Fund”), and used only for payment of principal of and interest on the Bonds. Any accrued interest and net premium received upon the sale of the Bonds will be deposited in the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Moneys in the Debt Service Fund and the Building Fund are expected to be invested through the County’s pooled investment fund. See “APPENDIX E – LOS ANGELES COUNTY TREASURY POOL” attached hereto.

## Redemption

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

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

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

The Bonds maturing on August 1, 20\_\_ (the “\_\_\_\_ Term Bonds”) are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20\_\_, at a redemption price equal to the principal amount thereof as of the date fixed for redemption, together with interest accrued to the date set for such redemption, without premium. The principal

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\* Preliminary, subject to change.

amount of the \_\_\_\_ Term Bonds to be so redeemed and the redemption dates therefor, and the final payment date is as indicated in the following table:

<b>Redemption Date</b> <b><u>(August 1)</u></b>	<b><u>Principal Amount</u></b>
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<sup>(1)</sup> Final maturity.

***Selection of Bonds for Redemption.*** Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent, shall select Bonds for redemption as directed by the District, and if not so directed, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in a principal amount of \$5,000, or any integral multiple thereof.

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

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

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

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

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any

Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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

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

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

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

***Bonds No Longer Outstanding.*** When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the



redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). However, the information presented on such website is not incorporated herein by any reference to such website.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written

confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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

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

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

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

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

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

## Defeasance

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

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

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

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

## ESTIMATED SOURCES AND USES OF FUNDS

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

### Sources of Funds

Principal Amount of Bonds  
[Net] Original Issue Premium  
Total Sources

### Uses of Funds

Deposit to Building Fund  
Deposit to Debt Service Fund  
Costs of Issuance<sup>(1)</sup>  
Total Uses

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

## TAX BASE FOR REPAYMENT OF BONDS

*The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such ad valorem property taxes, without limitation as to rate or amount, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. The District's general fund is not a source for the repayment of the Bonds.*

### **Ad Valorem Property Taxation**

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

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

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the Treasurer. After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of \$10 for preparing the delinquent tax records and giving notice of

delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

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

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

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

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

### **Assessed Valuations**

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

Property within the District had a total assessed valuation for fiscal year 2019-20 of \$6,211,980,747. The following table represents a 10-year history of assessed valuations in the District, as of the date the equalized assessment roll is established in August of each year.

**ASSESSED VALUATION  
Claremont Unified School District  
Fiscal Years 2010-11 through 2019-20**

<u>Fiscal Year</u>	<u>Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2010-11	\$4,077,051,630	\$1,431,462	\$62,908,254	\$4,141,391,346	--
2011-12	4,169,494,220	1,431,462	62,707,818	4,233,633,500	2.23%
2012-13	4,250,028,868	1,431,462	69,064,976	4,320,525,306	2.05
2013-14	4,388,639,685	143,750	70,367,358	4,459,150,793	3.21
2014-15	4,738,218,758	143,750	65,537,454	4,803,899,962	7.73
2015-16	4,961,444,474	143,750	67,158,980	5,028,747,204	4.68
2016-17	5,298,718,850	143,750	65,879,354	5,364,741,954	6.68
2017-18	5,551,810,944	143,750	64,944,891	5,616,899,585	4.70
2018-19	5,790,444,270	143,750	68,132,588	5,858,720,608	4.31
2019-20	6,140,311,681	143,750	71,525,316	6,211,980,747	6.03

*Source: California Municipal Statistics, Inc.*

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

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

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

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” herein. Such reductions are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIII A.

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

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

**Assessed Valuation by Jurisdiction.** The following table below shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2019-20 assessed valuation.

**ASSESSED VALUATION BY JURISDICTION  
Claremont Unified School District  
Fiscal Year 2019-20**

<b>Jurisdiction:</b>	<b>Assessed Valuation in District</b>	<b>% of District</b>	<b>Assessed Valuation of Jurisdiction</b>	<b>% of Jurisdiction in District</b>
City of Claremont	\$5,460,953,963	87.91%	\$5,460,953,963	100.00%
City of La Verne	54,616,442	0.88	4,892,372,116	1.12
City of Pomona	367,401,919	5.91	12,435,398,984	2.95
Unincorporated Los Angeles County	<u>329,008,423</u>	<u>5.30</u>	111,408,534,823	0.30
Total District	\$6,211,980,747	100.00		
Los Angeles County	\$6,211,980,747	100.00%	\$1,612,990,196,814	0.39%

Source: California Municipal Statistics, Inc.



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

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

	<b>No. of Parcels</b>	<b>2019-20 Assessed Valuation</b>	<b>Average Assessed Valuation</b>	<b>Median Assessed Valuation</b>
Single Family Residential	9,925	\$4,727,233,633	\$476,296	\$398,865

  

<b>2019-20 Assessed Valuation</b>	<b>No. of Parcels<sup>(1)</sup></b>	<b>% of Total</b>	<b>Cumulative % of Total</b>	<b>Total Valuation</b>	<b>% of Total</b>	<b>Cumulative % of Total</b>
\$0 - \$49,999	171	1.723%	1.723%	\$5,972,694	0.126%	0.126%
50,000 - 99,999	695	7.003	8.725	53,852,988	1.139	1.266
100,000 - 149,999	468	4.715	13.441	58,394,234	1.235	2.501
150,000 - 199,999	610	6.146	19.587	107,726,012	2.279	4.780
200,000 - 249,999	736	7.416	27.003	165,226,539	3.495	8.275
250,000 - 299,999	764	7.698	34.700	209,549,911	4.433	12.708
300,000 - 349,999	794	8.000	42.700	257,951,990	5.457	18.164
350,000 - 399,999	736	7.416	50.116	275,282,869	5.823	23.988
400,000 - 449,999	607	6.116	56.232	258,238,453	5.463	29.451
450,000 - 499,999	591	5.955	62.186	280,920,602	5.943	35.393
500,000 - 549,999	583	5.874	68.060	306,333,009	6.480	41.873
550,000 - 599,999	526	5.300	73.360	302,368,915	6.396	48.270
600,000 - 649,999	497	5.008	78.368	309,892,398	6.555	54.825
650,000 - 699,999	442	4.453	82.821	298,553,142	6.316	61.141
700,000 - 749,999	338	3.406	86.227	245,149,030	5.186	66.327
750,000 - 799,999	271	2.730	88.957	209,555,925	4.433	70.760
800,000 - 849,999	174	1.753	90.710	143,071,256	3.027	73.786
850,000 - 899,999	114	1.149	91.859	99,652,762	2.108	75.894
900,000 - 949,999	88	0.887	92.746	81,176,193	1.717	77.611
950,000 - 999,999	56	0.564	93.310	54,290,986	1.148	78.760
1,000,000 and greater	<u>664</u>	<u>6.690</u>	100.000	<u>1,004,073,725</u>	<u>21.240</u>	100.000
Total	9,925	100.000%		\$4,727,233,633	100.000%	

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

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

**ASSESSED VALUATION AND PARCELS BY LAND USE  
Claremont Unified School District  
Fiscal Year 2019-20**

<b><u>Non-Residential:</u></b>	<b>2019-20 <u>Assessed Valuation</u><sup>(1)</sup></b>	<b>% of <u>Total</u></b>	<b><u>No. of Parcels</u></b>	<b>% of <u>Total</u></b>
Commercial	\$482,259,993	7.85%	304	2.42%
Vacant Commercial	24,846,111	0.40	43	0.34
Industrial	87,799,068	1.43	39	0.31
Vacant Industrial	3,068,807	0.05	10	0.08
Recreational	15,424,120	0.25	12	0.10
Government/Social/Institutional	55,614,463	0.91	389	3.09
Miscellaneous	<u>21,844,063</u>	<u>0.36</u>	<u>126</u>	<u>1.00</u>
Subtotal Non-Residential	\$690,856,625	11.25%	923	7.34%
<b><u>Residential:</u></b>				
Single Family Residence	\$4,727,233,633	76.99%	9,925	78.91%
Condominium/Townhouse	204,357,432	3.33	537	4.27
Mobile Home	6,525,772	0.11	237	1.88
Mobile Home Park	21,324,069	0.35	4	0.03
2-4 Residential Units	101,007,725	1.64	260	2.07
5+ Residential Units/Apartments	314,307,057	5.12	84	0.67
Vacant Residential	<u>74,699,368</u>	<u>1.22</u>	<u>608</u>	<u>4.83</u>
Subtotal Residential	\$5,449,455,056	88.75%	11,655	92.66%
Total	\$6,140,311,681	100.00%	12,578	100.00%

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

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## Secured Tax Charges and Delinquencies

The following table shows secured *ad valorem* property tax levies within the District, and amounts delinquent as of June 30, for fiscal years 2011-12 through 2018-19.

### SECURED TAX CHARGES AND DELINQUENCY RATES Claremont Unified School District Fiscal Years 2011-12 through 2018-19

	<b>Secured Tax Charge<sup>(1)</sup></b>	<b>Amt. Del. June 30</b>	<b>% Del. June 30</b>
2011-12	\$8,071,301.83	\$168,552.50	2.09%
2012-13	8,272,097.33	148,819.86	1.80
2013-14	8,563,343.40	126,417.18	1.48
2014-15	9,237,288.72	133,293.16	1.44
2015-16	9,705,868.58	137,937.99	1.42
2016-17	10,324,977.80	122,887.32	1.19
2017-18	10,880,663.62	135,424.75	1.24
2018-19	11,334,879.60	155,098.21	1.37

	<b>Secured Tax Charge<sup>(2)</sup></b>	<b>Amt. Del. June 30</b>	<b>% Del. June 30</b>
2011-12	\$1,687,092.56	\$29,329.71	1.74%
2012-13	2,548,311.15	32,976.14	1.29
2013-14	2,940,570.53	26,381.17	0.90
2014-15	2,854,886.59	52,300.01	1.83
2015-16	2,926,590.35	25,357.46	0.87
2016-17	2,901,235.33	37,214.60	1.28
2017-18	4,386,085.06	35,140.38	0.80
2018-19	5,109,829.90	47,335.63	0.93

<sup>(1)</sup> 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects countywide delinquency rate.

<sup>(2)</sup> General Obligation Bonds debt service levy.

Source: California Municipal Statistics, Inc.

## Alternative Method of Tax Apportionment - Teeter Plan

Certain counties in the State 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 net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. **The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District’s receipt of property taxes is therefore subject to delinquencies.**

The District participates in the California Statewide Delinquent Tax Finance Authority (“CSDTFA”). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Government Code Section 6516.6. The District anticipates that CSDTFA will from time to time purchase delinquent *ad valorem* property tax receivables from the District. For the most recent fiscal year for which CSDTFA purchased delinquencies (the 2018-19 fiscal year), such delinquencies were purchased from the District at a purchase price equal to 110% thereof. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA. CSDTFA does not currently purchase *ad valorem* property tax receivables related to the payment of general obligation bonds of the District. Thus, the District’s participation in

CSDTFA’s program does not ensure that the District will receive the timely payment of *ad valorem* property taxes levied to secure the Bonds. See also “—*Ad Valorem* Property Taxation” herein.

**Tax Rates**

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

**SUMMARY OF AD VALOREM PROPERTY TAX RATES  
Percentage of Assessed Valuation  
Claremont Unified School District  
Fiscal Years 2015-16 through 2019-20**

**Typical Total Tax Rate (TRA 2730)<sup>(1)</sup>**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
City of Claremont	.012570	.008367	.010108	.009841	.008479
Claremont Unified School District	.059456	.055703	.080613	.089100	.086898
Citrus Community College District	.016412	.024062	.022290	.022382	.021725
Metropolitan Water District	<u>.003500</u>	<u>.003500</u>	<u>.003500</u>	<u>.003500</u>	<u>.003500</u>
Total	1.091938%	1.091632%	1.116511%	1.124823%	1.120602%

<sup>(1)</sup> 2019-20 assessed valuation of TRA 2730 is \$2,857,503,256, which is 46.00% of the District’s total assessed valuation.  
Source: *California Municipal Statistics, Inc.*

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## Principal Taxpayers

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

### LARGEST LOCAL SECURED TAXPAYERS Claremont Unified School District Fiscal Year 2019-20

	<u>2019-20</u>	<u>% of</u>	
<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>Total<sup>(1)</sup></u>
1. Claremont Village Venture LP	Apartments	\$54,876,000	0.89%
2. Claremont Star LP	Hotel	52,492,888	0.85
3. KMF Claremont LLC	Apartments	21,783,207	0.35
4. MG Terramonte Apartments LP	Apartments	21,331,758	0.35
5. CHP Claremont CA Owner LLC	Office Building	21,250,202	0.35
6. HFP Ltd.	Auto Dealership	20,886,153	0.34
7. Claremont Villas LP	Apartments	18,783,381	0.31
8. Claremont Village Expansion	Shopping Center	18,161,046	0.30
9. ROIC California LLC	Shopping Center	18,037,168	0.29
10. Indian Hill Boulevard Properties	Apartments	16,442,095	0.27
11. CWI Eagles LLC	Apartments	15,862,687	0.26
12. Bhuvneshwari Corporation	Hotel	15,093,960	0.25
13. Keck Graduate Institute of Applied Life Sciences	Office Building	13,926,545	0.23
14. Sam Menlo	Apartments	13,790,014	0.22
15. CS Holdings LP	Shopping Center	12,946,736	0.21
16. Claremont Investors Ltd.	Apartments	12,771,735	0.21
17. Raintree Springhill Apartments	Apartments	12,510,350	0.20
18. David R. Frack	Apartments	11,959,403	0.19
19. Sunrise Claremont Assisted Living LP	Assisted Living Facility	11,868,310	0.19
20. Raintree Southridge Apartments	Apartments	<u>10,902,959</u>	<u>0.18</u>
		\$395,676,597	6.44%

<sup>(1)</sup> 2019-20 local secured assessed valuation: \$6,140,311,681.

Source: California Municipal Statistics, Inc.

## Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. dated as of February 27, 2020 for debt outstanding as of March 1, 2020. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

**STATEMENT OF DIRECT AND OVERLAPPING DEBT  
Claremont Unified School District**

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable</u></b>	<b><u>Debt 3/1/20</u></b>
Metropolitan Water District	0.200%	\$74,600
Citrus Community College District	20.059	17,464,710
<b>Claremont Unified School District</b>	<b>100.000</b>	<b>69,605,000<sup>(1)</sup></b>
City of Claremont	100.000	<u>6,315,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$93,459,310
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>		
Los Angeles County General Fund Obligations	0.385%	\$9,027,406
Los Angeles County Superintendent of Schools Certificates of Participation	0.385	19,952
<b>Claremont Unified School District General Fund Obligations</b>	<b>100.000</b>	<b>5,365,000</b>
City of Claremont Pension Obligation Bonds	100.000	3,735,000
City of La Verne Certificates of Participation and Pension Obligations Bonds	1.116	581,492
City of Pomona General Fund and Pension Obligation Bonds	2.954	2,281,451
Los Angeles County Sanitation District No. 21 Authority	10.309	<u>351,296</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$21,361,597
<b><u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u></b>		\$6,424,506
COMBINED TOTAL DEBT		\$121,245,413 <sup>(2)</sup>

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

<b>Direct Debt (\$69,605,000)</b> .....	<b>1.12%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	1.50%
<b>Combined Direct Debt (\$74,970,000)</b> .....	<b>1.21%</b>
Combined Total Debt.....	1.95%

**Ratio to Redevelopment Incremental Valuation (\$742,501,554):**

Total Overlapping Tax Increment Debt.....	0.87%
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<sup>(1)</sup> Excludes the Bonds.

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

Source: California Municipal Statistics, Inc.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**

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

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

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

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

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

of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

***Split Roll Property Tax Ballot Measure.*** On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the “2020 Ballot Measure”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, the 2020 Ballot Measure would amend Article XIII A such that the “full cash value” of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, the 2020 Ballot Measure would not affect the “full cash value” of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing the 2020 Ballot Measure, approximately 40% of the remaining additional tax revenues generated as a result of the 2020 Ballot Measure would be deposited into a fund created pursuant to the 2020 Ballot Measure called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State’s constitutional minimum funding requirement. The District cannot predict whether the 2020 Ballot Measure will appear on the Statewide ballot at the November 2020 election or, if it does, whether the 2020 Ballot Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of the 2020 Ballot Measure will have on District revenues or the assessed valuation of real property in the District.

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

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

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

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

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

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



## **Proposition 50 and Proposition 171**

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor, (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50 percent of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120 percent of the Original Cash Value, then the Replacement Base Year Value is calculate by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120 percent of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

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

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105 percent of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110 percent of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115 percent of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

## **Unitary Property**

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

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

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

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

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

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

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

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

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

### **Article XIII C and Article XIII D of the California Constitution**

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

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

The District has established a Maintenance and Recreation Assessment District pursuant to the Landscape and Lighting Act of 1972, within which assessments are levied against single-family and multi-family living units. At an election held in November of 1997, the assessment being levied was validated under the provisions of Proposition 218. For additional information, see “DISTRICT FINANCIAL INFORMATION – Other Revenue Sources – Recreation Assessment District” herein.

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

### **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit

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

### **Propositions 98 and 111**

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

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the “change in the cost of living” is now measured by the change in California per capita personal income. The definition of “change in population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the minimum funding level for such districts. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into K-14 school district base expenditures for calculating their entitlement for State aid in the next year, and the State’s appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit: (i) first, all appropriations for “qualified capital outlay projects” as defined by the Legislature, and (ii) any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (“Test 1”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (“Test 2”). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test (“Test 3”), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capital personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a “credit” (also known

as a “maintenance factor”) to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

### **Proposition 39**

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

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that such bonds may be issued only if the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election would not exceed \$60 (for a unified school district), \$30 (for an elementary or high school district), or \$25 (for a community college district, such as the District) when assessed valuation is projected to increase in accordance with Article XIII A of the State Constitution. 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. See “— Article XIII A of the California Constitution” herein.

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

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

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

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

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

### **Propositions 30 and 55**

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

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8,

2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111” herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to 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, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the 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 XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

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

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

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

**SB 751.** Senate Bill 751 (“SB 751”), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund

balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

### **Proposition 51**

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in State general obligation bonds for the new construction and modernization of K-14 facilities.

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

***Community College Facilities.*** Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the 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 District makes no guarantees that it will either pursue or qualify for Proposition 51 state facilities funding.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 22, 26, 30, 39, 98, 55 and 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

## DISTRICT FINANCIAL INFORMATION

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

### State Funding of Education

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

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

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

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

The Base Grants per unit of ADA for each grade span are as follows: (i) \$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 have been adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See "—State Budget Measures" for information on the adjusted Base Grants provided by current budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. The LCFF 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 table on the following page shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 through 2019-20. However, the District’s actual pupil attendance, and associated ADA figures, may be impacted by the current coronavirus outbreak. See “—Considerations Regarding COVID-19” herein.

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**ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE**  
**Claremont Unified School District**  
**Fiscal Years 2013-14 and 2019-20**

<b>Fiscal Year</b>	<b>Average Daily Attendance<sup>(1)</sup></b>					<b>Enrollment</b>		
	<b>TK-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>	<b>Total ADA</b>	<b>Total Enrollment<sup>(2)</sup></b>	<b>% of EL/LI Enrollment<sup>(2)</sup></b>	
2013-14	1,816	1,452	1,075	2,421	6,764	6,987	40.96%	
2014-15	1,862	1,468	1,049	2,436	6,815	7,047	39.25	
2015-16	1,827	1,464	1,068	2,417	6,776	6,972	39.12	
2016-17	1,825	1,497	1,072	2,406	6,800	7,058	37.98	
2017-18	1,822	1,529	1,061	2,400	6,812	7,075	38.70	
2018-19	1,804	1,443	1,095	2,337	6,679	6,945	38.00	
2019-20	1,828	1,379	1,097	2,345	6,649	6,867	37.34	

- (1) Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four week period of instruction beginning on the first day of school for a particular school district. Excludes County operated programs.
- (2) Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures generally exclude preschool and adult transitional students.
- (3) For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15, or the current year percentage of EL/LI enrollment, whichever was greater. Since fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students has been based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Source: Claremont Unified School District.

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

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

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

are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as basic aid, and does not expect to in future fiscal years.

**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 developed and adopted a template LCAP for use by school districts.

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

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

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

outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

**Other Revenue Sources**

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

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

**Developer Fees.** The District collects developer fees to finance essential school facilities within the District, and such fees are deposited into the Capital Facilities Fund. The following table of developer fee revenues reflects the collection of fees from fiscal years 2012-13 through 2018-19, and a projected amount for fiscal year 2019-20.

**DEVELOPER FEES  
Fiscal Years 2012-13 through 2019-20  
Claremont Unified School District**

<u>Year</u>	<u>Total Revenues</u>
2012-13	\$93,751
2013-14	549,450
2014-15	312,923
2015-16	166,075
2016-17	509,361
2017-18	250,684
2018-19	416,963
2019-20 <sup>(1)</sup>	300,000

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

Source: Claremont Unified School District.

**Recreation Assessment District.** In March 1993, the District established a Maintenance and Recreation Assessment District (“RAD”) pursuant to the Landscape and Lighting Act of 1972. Annual assessments are \$88.10 per living unit (a single-family residence is a “living unit,” for multi-family housing the number of living units are assigned on a sliding scale according to the number of apartments in the complex). There are approximately 13,000 defined living units within the RAD. The District receives approximately \$1.16 million annually in assessment revenue. At an election held in November of 1997, the RAD received the approval of a majority vote of qualified electors of the RAD, which validated the RAD assessment under Proposition 218. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS” herein. The use of RAD revenue is restricted to expenditures for recreation, lighting, and landscape operations and maintenance of facilities generally available to the public; it does not count towards the District’s LCFF

allocation and effectively relieves the District from funding many of these expenditures from General Fund revenue. RAD assessments are levied annually on approval by the Board of Education. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIC and XIID of the California Constitution” herein.

***Tax Offset Revenues and Pass-Through Revenues.*** The District receives tax offset revenue from the County as a part of certain redevelopment projects within the boundaries of the District (the “Tax Offset Revenues”). The Tax Offset Revenues received by the District are deposited directly into the District’s general fund and are offset against the State apportionment received by the District. The District also previously received pass-through tax increment revenue (the “Pass-Through Revenues”) from the successors to the redevelopment agencies formerly within the District’s boundaries. The Pass-Through Revenues were not offset against the State apportionment received by the District and are deposited into the Capital Facilities Fund or retained in the General Fund depending upon revenue and budgetary needs of the District. The amount of Tax Offset Revenues and Pass-Through Revenues received by the District from fiscal years 2012-13 through 2018-19, and a projected amount for fiscal year 2019-20, are shown in the following table.

**TAX OFFSET REVENUES AND PASS-THROUGH REVENUES**  
**Fiscal Years 2012-13 through 2019-20**  
**Claremont Unified School District**

<b>Fiscal Year</b>	<b>Tax Offset Revenues<sup>(1)</sup></b>	<b>Pass-Through Revenues<sup>(2)</sup></b>	<b>Total</b>
2012-13	\$1,081,077	\$268,921	\$1,349,998
2013-14	161,875	694,997	856,872
2014-15	293,355	512,163	805,518
2015-16	439,618	753,259	1,192,877
2016-17	468,616	711,036	1,179,652
2017-18	623,392	961,382	1,584,474
2018-19	557,152	827,997	1,385,149
2019-20 <sup>(3)</sup>	557,152	500,000	1,057,152

<sup>(1)</sup> Tax Offset Revenues received by the District are offset against the State apportionments received by the District.

<sup>(2)</sup> Pass-Through Revenues received by the District are not offset against the State apportionments received by the District.

<sup>(3)</sup> Projected.

Source: Claremont Unified School District.

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

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”), which, together with ABx1 26, is referred to herein as the “Dissolution Act.” The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to



ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller’s cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund (“Trust Fund”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed \$250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the 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, including to the District. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993), are restricted to educational facilities without offset against LCFF funding by the State. Only 43.3% of AB 1290 pass-throughs to the District 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 its LCFF funding from the State 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.

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

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

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

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

On March 17, 2020, Senate Bill 89 (“SB 89”) and Senate Bill 117 (“SB 117”) were signed by the Governor, both of which take effect immediately. SB 89 amends the Budget Act of 2019 by appropriating \$500,000,000 from the State general fund for any purpose related to the Governor’s March 4, 2020 emergency proclamation. SB 117, among other things, (i) specifies that for school districts that comply with Executive Order N-26-20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevents the loss of funding related to an instructional time penalty because of a school closed due to the COVID-19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to COVID-19, (iii) requires a school district to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID-19, and (iv) appropriates \$100,000,000 from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites.

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

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

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction while schools remain closed, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. The economic consequences and the declines in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, could have a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District’s required contribution rates in future fiscal years. See also “CLAREMONT UNIFIED SCHOOL DISTRICT – District Retirement Systems” herein.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. Additional information with respect to events surround the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to: the Governor’s office (<http://www.gov.ca.gov>) and the California Department of Public Health (<https://covid19.ca.gov/>). *The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such websites.*

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

### **Accounting Practices**

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

The District’s expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are

susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

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

### **Comparative Financial Statements**

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2019, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent, 170 West San Jose Ave, Claremont, California 91711, telephone: (909) 398-0609. The audited financial statements for the year ended June 30, 2019 are included in APPENDIX B hereto.

The table on the following page reflects the District's general fund revenues, expenditures and changes in fund balance for fiscal years 2014-15 through 2018-19.

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**AUDITED STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES**  
**Claremont Unified School District**  
**Fiscal Years 2014-15 through 2018-19**

	<u>Audited</u> <u>Actuals</u> <u>2014-15</u>	<u>Audited</u> <u>Actuals</u> <u>2015-16</u>	<u>Audited</u> <u>Actuals</u> <u>2016-17</u>	<u>Audited</u> <u>Actuals</u> <u>2017-18</u>	<u>Audited</u> <u>Actuals</u> <u>2018-19</u>
<b><u>REVENUES:</u></b>					
LCFF sources	\$48,672,465	\$54,687,561	\$57,342,777	\$58,323,226	\$62,389,931
Federal revenue	2,520,727	2,731,178	2,564,839	2,453,104	2,957,553
Other state revenue	4,188,127	8,401,330	6,332,421	6,242,615	10,231,828
Other local revenue	<u>9,936,828</u>	<u>10,041,524</u>	<u>9,386,241</u>	<u>9,117,109</u>	<u>10,053,297</u>
Total Revenues	65,318,147	75,861,593	75,626,278	76,136,054	85,632,609
<b><u>EXPENDITURES:</u></b>					
Instruction	37,646,273	42,047,758	43,221,156	44,403,162	48,382,757
Instruction-related Services:					
Supervision of instruction	885,642	1,373,763	1,360,767	1,839,618	2,213,238
Instructional library, media, and technology	771,483	839,405	852,875	556,007	578,749
School site administration	4,712,090	5,372,381	5,224,402	5,186,978	5,773,434
Pupil services:					
Home-to-school transportation	2,033,375	2,221,789	1,359,826	1,311,464	1,512,773
Food services	28,367	36,748	20,410	11,519	72,494
All other pupil services	6,142,121	7,912,859	8,082,042	8,738,177	9,603,929
General administration:					
Data processing	764,548	937,263	929,768	1,002,369	1,135,160
All other general administration	3,796,389	4,258,500	4,294,575	4,305,992	4,594,365
Plant services	5,548,833	6,021,577	5,760,880	5,588,306	5,858,415
Facility acquisition and construction	32,159	141,994	--	149,514	4,006
Ancillary services	605,941	656,636	694,092	665,703	750,988
Other outgo	2,003,918	2,007,884	1,805,934	1,598,816	1,911,609
Debt service					
Principal	75,000	--	--	--	--
Interest and other	--	--	--	--	--
Total Expenditures	<u>65,046,139</u>	<u>73,828,557</u>	<u>73,606,727</u>	<u>75,357,625</u>	<u>82,391,917</u>
Excess (Deficiency) of Revenues Over (Under) expenditures	272,008	2,033,036	2,019,551	778,429	3,240,692
<b><u>OTHER FINANCING SOURCES (USES):</u></b>					
Interfund transfers in	--	--	--	--	--
Interfund transfers out	<u>(1,574,250)</u>	<u>(1,796,292)</u>	<u>(1,662,353)</u>	<u>(1,193,593)</u>	<u>(1,469,411)</u>
Total Other Financing Sources (Uses)	<u>(1,574,250)</u>	<u>(1,796,292)</u>	<u>(1,662,353)</u>	<u>(1,193,593)</u>	<u>(1,469,411)</u>
Net Change in Fund Balances	(1,302,242)	236,744	357,198	(415,164)	1,771,281
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>9,824,016</u>	<u>8,521,774</u>	<u>8,758,518</u>	<u>9,115,716</u>	<u>8,700,552</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$8,521,774</u>	<u>\$8,758,518</u>	<u>\$9,115,716</u>	<u>\$8,700,552</u>	<u>\$10,471,833</u>

Source: Claremont Unified School District.

## **Budget Process**

***State Budgeting Requirements.*** The District is required by provisions of the Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“AB 1200”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Subsequent legislation has made certain amendments to the budgeting process, including Senate Bill 97, effective as of September 26, 2013 (requiring budgets to include sufficient funds to implement LCAPs), Senate Bill 858, effective as of June 20, 2014 (requiring ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, effective as of September 9, 2014 (eliminating the dual budget cycle option for school districts).

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

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

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

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

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

The District has never had an adopted budget disapproved by the county superintendent of schools and has never received a “qualified” or “negative” certification of an Interim Financial Report pursuant to A.B. 1200.

***Budgeting Trends.*** The following table sets forth the District’s general fund adopted budgets for fiscal years 2016-17 through 2019-20, audited actuals for fiscal years 2016-17 through 2018-19, and projected results for fiscal year 2019-20.

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**GENERAL FUND BUDGETING**  
**Claremont Unified School District**  
**Fiscal Years 2016-17 through 2019-20**

	<u>Fiscal Year 2016-17</u>		<u>Fiscal Year 2017-18</u>		<u>Fiscal Year 2018-19</u>		<u>Fiscal Year 2019-20</u>	
	<u>Adopted Budget<sup>(1)</sup></u>	<u>Audited Actuals<sup>(1)</sup></u>	<u>Adopted Budget<sup>(1)</sup></u>	<u>Audited Actuals<sup>(1)</sup></u>	<u>Adopted Budget<sup>(1)</sup></u>	<u>Audited Actuals<sup>(1)</sup></u>	<u>Adopted Budget<sup>(2)</sup></u>	<u>Projected Totals<sup>(2)</sup></u>
REVENUES:								
Local Control Funding Formula	\$57,141,001	\$57,342,777	\$58,635,551	\$58,323,226	\$61,753,465	\$62,389,931	\$63,048,444	\$62,987,712
Federal sources	2,377,019	2,564,839	2,448,509	2,453,104	2,402,278	2,957,553	2,764,132	3,001,218
Other State sources	5,338,271	6,332,421	2,212,123	6,242,615	4,651,088	10,231,828	5,179,070	5,970,476
Other Local sources	<u>8,784,092</u>	<u>9,386,241</u>	<u>8,164,734</u>	<u>9,117,109</u>	<u>8,146,973</u>	<u>10,053,297</u>	<u>8,833,456</u>	<u>9,205,229</u>
TOTAL REVENUES <sup>(3)</sup>	73,640,383	75,626,278	71,460,917	76,136,054	76,953,804	85,632,609	79,825,102	81,164,635
EXPENDITURES:								
Certificated salaries	33,230,568	33,269,055	32,944,518	33,906,623	34,076,266	34,867,449	34,993,010	35,452,078
Classified salaries	11,602,409	11,509,364	11,271,416	11,181,980	11,499,144	11,622,053	12,044,110	12,163,698
Employee benefits	14,652,347	16,877,501	15,567,691	18,142,709	16,750,726	22,780,140	20,306,350	20,325,181
Books and supplies	2,169,727	3,154,305	2,062,761	2,837,382	2,221,385	2,926,836	2,226,755	2,974,768
Services and operating expenditures	7,844,927	6,983,924	7,068,086	7,567,801	8,538,756	8,237,410	8,855,549	9,133,913
Other outgo – net	3,555,056	1,694,251	1,982,956	1,493,864	1,542,774	1,762,817	1,674,986	1,798,986
Capital outlay	<u>1,620,000</u>	<u>118,327</u>	<u>30,000</u>	<u>227,266</u>	<u>137,000</u>	<u>195,212</u>	<u>180,000</u>	<u>5,889</u>
TOTAL EXPENDITURES <sup>(3)</sup>	74,675,034	73,606,727	70,927,428	75,357,625	74,766,051	82,391,917	80,280,760	81,854,513
Excess (Deficiency) of Revenues Over Expenditures	(1,034,651)	2,019,551	533,489	778,429	2,187,753	3,240,692	(455,658)	(689,878)
Other Financing Uses								
Transfers out	(1,579,111)	(1,662,353)	(1,214,944)	(1,193,593)	(1,404,817)	(1,469,411)	(1,356,817)	(1,356,817)
NET CHANGE IN FUND BALANCES	(2,613,762)	357,198	(681,455)	(415,164)	782,936	1,771,281	(1,812,475)	(2,046,695)
FUND BALANCE, JULY 1	<u>8,758,518</u>	<u>8,758,518</u>	<u>9,115,716</u>	<u>9,115,716</u>	<u>8,700,552</u>	<u>8,700,552</u>	<u>10,471,832</u>	<u>10,471,833</u>
FUND BALANCE, JUNE 30	<u>\$6,144,756</u>	<u>\$9,115,716</u>	<u>\$8,434,261</u>	<u>\$8,700,552</u>	<u>\$9,483,488</u>	<u>\$10,471,833</u>	<u>\$8,659,358</u>	<u>\$8,425,138</u>

<sup>(1)</sup> From the District's Audited Financial Statements for fiscal years 2016-17 through 2018-19, respectively.

<sup>(2)</sup> From the District's Second Interim Financial Report for fiscal year 2019-20 approved by the Board on March 19, 2020.

Source: Claremont Unified School District.



## State Budget Measures

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

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

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

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

- *Local Control Funding Formula* – An increase of \$1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% COLA. For fiscal year 2019-20, the adjusted Base Grants are as follows: (i) \$8,503 for grades K-3, (ii) \$7,818 for grades 4-6, (iii) \$8,050 for grades 7-8, and (iv) \$9,572 for grades 9-12. See also "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula" herein.
- *Settle-Up Payment* – An increase of \$686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.
- *Special Education* – \$645.3 million in ongoing Proposition 98 funding for special education. Specifically, the 2019-20 Budget allocated (i) \$152.6 million to provide all special education local area plans at least the Statewide target rate for base special education funding, and (ii) \$492.7 million in special education funding, to be allocated to school districts based on the number of children between three to five years of age and with exceptional needs that are being served.

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

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

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

For fiscal year 2019-20, the Proposed 2020-21 Budget projects total general fund revenues and transfers of \$146.5 billion and total expenditures of \$149.7 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$20 billion, including \$3.1 billion in the traditional general fund reserve, \$16 billion in the BSA and \$900 million in the Safety Net Reserve Fund for the CalWORKs. The Proposed 2020-21 Budget also increases the deposit into the PSSA by \$147.7

million, for a total of \$524 million, in order to comply with Proposition 2. The amount continues to be below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (and amended in 2017). See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751” herein.

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

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

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

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

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

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

***Future Actions and Events.*** The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. The novel COVID-19 outbreak has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels for fiscal year 2019-20 and beyond. See “— Considerations Regarding COVID-19” herein. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

## CLAREMONT UNIFIED SCHOOL DISTRICT

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

### Introduction

The District was established in 1892 as Claremont City District and was unified in 1936. The District is located 36 miles east of Los Angeles, California. The District covers the approximately 14.5 square miles of the City of Claremont and approximately 50 square miles of wilderness area, serves the City of Claremont, small portions of the Cities of Pomona and La Verne and some unincorporated areas of Los Angeles County. The District operates seven elementary schools (one of which includes a program serving the orthopedically handicapped), an intermediate school, a comprehensive high school and a continuation school, and serves a population of approximately 35,000 residents. For fiscal year 2019-20, the District's projected ADA is 6,649 students and taxable property has an assessed valuation of \$6,211,980,747. However, the District's actual pupil attendance, and associated enrollment and ADA figures, may be impacted by the current coronavirus outbreak. See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein

### Administration

The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The District currently has one vacancy, following the resignation of the Board president. The Board expects to appoint a successor at its April 16, 2020 meeting, at which time the Board will select a new president. Current members of the Board, together with their offices and the date each member's term expires, are listed below:

#### BOARD OF EDUCATION Claremont Unified School District

<u>Board Member</u>	<u>Office</u>	<u>Term Expires</u>
Nancy Treser Osgood	Vice President	December 2022
David S. Nemer	Clerk	December 2022
Steven Llanusa	Member	December 2022
Hilary LaConte	Member	December 2020

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Brief biographies of key personnel follow.

***James Elsasser Ed.D., Superintendent.*** Dr. James Elsasser began his tenure as Superintendent of the Claremont Unified School District on July 1, 2012. Dr. Elsasser has worked in education for over 22 years. He began his career in Downey Unified School District where he served as a teacher and Assistant Principal. In 2000, Dr. Elsasser became Principal of Oak Middle School in Los Alamitos Unified School District. Dr. Elsasser also served as Director of Classified Personnel and Special Projects in Los

Alamitos Unified School District and, most recently, Assistant Superintendent of Human Resources in Anaheim City School District.

Dr. Elsasser is a member of the Association of California School Administrators and the Dean’s Superintendents Advisory Group for the Rossier School of Education at the University of Southern California. He is also a member of Southern California Superintendents Council; the National Association of School Superintendents; Suburban School Superintendents’ Association; the National Center for Education Research and Technology; and the Education Research and Development Institute.

Dr. Elsasser earned his Bachelor’s degree in Music Education, a Master’s degree in Education from Azusa Pacific University, and his doctorate in K-12 Educational Leadership from the University of Southern California.

***Lisa Shoemaker, Assistant Superintendent, Business Services.*** Lisa Shoemaker, Assistant Superintendent of Business Services, began working for District in 1996 as the Director of Accounting. After eight years in that capacity, she became the Director of Business Services, and ultimately, the Assistant Superintendent. She received her Bachelor of Science degree in Accounting from California State Polytechnic University, Pomona. Prior to her tenure with the District, Ms. Shoemaker was the Budget Director for Harvey Mudd College, one of the colleges in the Claremont College consortium.

### **District Enrollment**

On average throughout the District, the regular education pupil-teacher ratio is approximately 24:1 for grades TK-3, 34:1 in grades 4-6, 33:1 in grades 7-8 and 33:1 in grades 9-12. The following table shows a 10-year enrollment history for the District.

<b>HISTORICAL ENROLLMENT</b>		
<b>Claremont Unified School District</b>		
<b>Fiscal Years 2010-11 through 2019-20</b>		
<b><u>Fiscal Year</u></b>	<b><u>Enrollment</u></b>	<b><u>% Change</u></b>
2010-11	7,145	--
2011-12	6,938	(2.90)
2012-13	7,018	1.15
2013-14	6,987	(0.44)
2014-15	7,047	0.86
2015-16	6,972	(1.06)
2016-17	7,058	1.23
2017-18	7,075	0.24
2018-19	6,945	(1.84)
2019-20	6,867	(1.12)

Note: Fiscal years 2010-11 through 2012-13 enrollment as of October report submitted to the CBEDS. Fiscal years 2013-14 and onward reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the CALPADS in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment.

Source: Claremont Unified School District.

## Labor Relations

The District currently employs 361 full-time certificated employees and 133 full-time classified employees. In addition, the District employs 233 part-time faculty and staff. District employees, except some part-time employees, are represented by the three bargaining units as noted below:

### BARGAINING UNITS Claremont Unified School District

<u>Labor Organization</u>	<u>Number of Employees In Bargaining Unit</u>	<u>Contract Expiration Date</u>
Claremont Faculty Association	351	June 30, 2021
California School Employees Association, Claremont Chapter #200	320	June 30, 2020
Claremont Management Association	56	June 30, 2020

*Source: Claremont Unified School District.*

## District Retirement Systems

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

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

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

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

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

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

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

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*Source: AB 1469.*

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

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

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

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

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*Source: AB 1469.*

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



adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

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

The District’s contribution to STRS was \$4,160,544 in fiscal year 2016-17, \$4,896,526 in fiscal year 2017-18 and \$5,646,886 in fiscal year 2018-19. The District currently projects \$6,118,691 as its contribution to STRS for fiscal year 2019-20.

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

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

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

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 20.733% of eligible salary expenditures in fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2019-20, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2019-20. See “—California Public Employees’ Pension Reform Act of 2013” herein.

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

The District's contributions to PERS was \$1,845,140 in fiscal year 2016-17, \$2,001,782 in fiscal year 2017-18 and \$2,439,790 in fiscal year 2018-19. The District currently projects \$2,890,200 as its contribution to PERS for fiscal year 2019-20.

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

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

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**FUNDED STATUS**  
**STRS (Defined Benefit Program) and PERS (Schools Pool)**  
**(Dollar Amounts in Millions)<sup>(1)</sup>**  
**Fiscal Years 2010-11 through 2017-18**

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

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

(1) Amounts may not add due to rounding.

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

(3) Reflects actuarial value of assets.

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

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

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

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

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

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

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

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

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

requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

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

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

The Schools Pool Actuarial Valuation as of June 30, 2018 (the “2018 PERS Actuarial Valuation”), reported that the contribution rate for 2020-21 is projected to be 22.8%, with annual increases thereafter, resulting in a projected 26.7% employer contribution rate for fiscal year 2026-27. The projected contribution rates reflect a 6.7% investment return reduced by estimated administrative expenses for fiscal year 2018-19 and the anticipated decrease in normal cost due to new hires entering lower benefit formulas under the Reform Act, as well as the additional \$904 million contributed by the State in July 2019 pursuant to SB 90. As reported in the 2018 PERS Actuarial Valuation, the funded status for the Schools Pool decreased by 1.7% from June 30, 2017 to June 30, 2018, primarily due to increases in liability resulting from the decrease in the discount rate, discussed above, and the new actuarial valuation system, partially offset by the investment return in fiscal year 2017-18 being greater than expected.

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

***California Public Employees’ Pension Reform Act of 2013.*** On September 12, 2012, the Governor signed into law the California Public Employees’ Pension Reform Act of 2013 (the “Reform Act”), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act

changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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

The District's proportionate shares of the net pension liabilities, pension expense, deferred outflow of resources and deferred inflow of resources for STRS and PERS, as of June 30, 2019, are as shown in the following table.

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
STRS	\$57,950,653	\$18,406,050	\$6,642,198	\$7,116,357
PERS	<u>26,048,333</u>	<u>6,995,970</u>	<u>1,382,514</u>	<u>4,625,240</u>
Total	<u>\$83,998,986</u>	<u>\$25,402,020</u>	<u>\$8,023,712</u>	<u>\$11,741,597</u>

Source: Claremont Unified School District.

For additional information, see "APPENDIX B – 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12" attached hereto.

**Claremont Unified School District PARS Supplementary Retirement Program.** On March 17, 2017, the District elected to provide a voluntary early retirement program for qualified employees (the "2017 SERP"). The District will fund a supplemental benefit for each 2017 SERP participant in the form of five annual employer contributions into an Annuity Contract held by the Pacific life Insurance Company. The sum of the contributions will equal 40% of each 2017 SERP participant's final pay.

To be eligible for the 2017 SERP, the employee must have: been a certificated non-management, certificated management, classified non-management, or classified management employee as of March 16, 2017; been at least 55 years or older with five or more years of service with the District as of June 30, 2017; and resigned from employment with the District on or before June 30, 2017. 15 certificated non-management employees, 24 classified employees and 1 classified management employee elected to participate in the 2017 SERP. As of June 30, 2019, future 2017 SERP payments were as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2020	\$198,263
2021	198,263
2022	<u>198,263</u>
Total	<u>\$594,798</u>

### Other Post-Employment Benefits

**Benefits Plan.** The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits (the "Benefits") to eligible retirees and their spouses. As of June 30, 2019, membership of the Plan consisted of 59 retirees and beneficiaries currently receiving benefits and 658 active plan members.

**Funding Policy.** Expenditures for the Benefits are recognized on a "pay as you go basis" covering the cost of premiums paid for current retirees. For fiscal years 2016-17 through 2018-19, the District recognized expenditures for the Benefits, respectively, equal to \$521,873, \$595,327 and \$678,770. For fiscal year 2019-20, the District currently projects expenditures of \$671,203 for the Benefits.

***GASB Statement Nos. 74 and 75.*** On June 2, 2015, GASB approved Statements Nos. 74 and 75 (each, “GASB 74” and “GASB 75”) with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 replaces GASB Statements No. 43 and 57 and GASB 75 replaces GASB 45.

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

Under GASB 74, the measurement date must be the same as the plan’s fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the Total OPEB Liability, if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB 74 requirements, a projection of the benefit payments and future Fiduciary Net Position is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB. The Fiduciary Net Position measures the value of trust assets, adjusted for payees and receivables.

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District’s financial statements for fiscal year 2016-17. GASB Statement No. 75 has an effective date for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB No. 75 in their financial statements for fiscal year 2017-18. See also “APPENDIX B – 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9” attached hereto.

***Actuarial Study.*** The District’s most recent actuarial study, calculated the District’s accrued liability in accordance with GASB No. 74 and GASB No. 75. The study concluded that, as of a June 30, 2018 valuation date, the District’s Total OPEB Liability was \$17,723,094, its Fiduciary Net Position was \$0 and its Net OPEB Liability was \$17,723,094. In calculating the accrued liability, the District is required to recognize an implicit subsidy in retiree premium rates because retirees and current employees in the District’s health insurance plan are insured as a group, and it is assumed that the premiums paid for retiree insurance coverage are lower than they would have been if current retirees were insured separately



## **Risk Management**

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; cyber intrusions; and natural disasters. These risks are addressed through a combination of commercial insurance and participation in certain public entity risk pools.

***Property and Liability.*** The District's risk management activities are recorded in the General and Self-Insurance Funds. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in the Valley Insurance Programs ("VIP") public entity risk pool, a joint powers authority ("JPA"), for the workers' compensation program and purchases excess liability coverage through the JPA. The Property and Liability Program is obtained through the Alliance of Schools for Cooperative Insurance Programs ("ASCIP"). Excess property and liability coverage is obtained through School Excess Liability Fund ("SELF").

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

***Workers' Compensation.*** For fiscal year 2018-19, the District participated in the VIP JPA. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation or "risk pooling" with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as a whole, and this combined rate is later modified by each district's individual claims experience. The JPA's actuarial auditor does an annual study to determine individual district losses, subject to a weighting formula (size and premiums paid), in comparison to the total loss experience of the JPA to arrive at the final composite rate for each member district.

***Employee Medical Benefits.*** The District has contracted with California Schools VEBA to provide employee health benefits. VEBA is a trust that is comprised of more than 60 school districts and 120,000 members. The geographic area includes San Diego County, Los Angeles County, Orange County, Riverside County, and San Bernardino County. Rates are set through an annual calculation process. The District remits premiums tenthsly (October-July) upon receipt of an invoice. Invoices reflect current premium rates for each participating employee based on a TIERED rate structure (i.e. Single, Two Party, Family).

See also "APPENDIX B – 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11" and "— Note 14" attached hereto.

## District Debt Structure

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

	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
General Obligation Bond				
2010 Refunding Bond	\$5,710,000	--	\$1,825,000	\$3,885,000
Bond Premium	827,521	--	268,385	559,136
2016 Refunding Bond	19,830,000	--	165,000	19,665,000
Bond Premium	2,627,517	--	260,580	2,366,937
2016 GO Bond, Series A	30,000,000	--	1,535,000	28,465,000
Bond Premium	3,132,455	--	107,706	3,024,749
2016 GO Bond, Series B	--	22,000,000	--	22,000,000
Bond Premium	--	2,379,567	78,019	2,301,548
Certificates of Participation-2012	5,715,000	--	350,000	5,635,000
Compensated absences	502,289	52,600	--	554,889
Supplemental Early Retirement Program (SERP)	793,052	--	198,263	594,789
Other postemployment benefits (OPEB)	<u>17,139,499</u>	<u>2,004,509</u>	<u>987,717</u>	<u>18,156,291</u>
Total	<u>\$86,277,333</u>	<u>\$26,436,676</u>	<u>\$5,775,670</u>	<u>106,938,339</u>

Source: Claremont Unified School District.

**General Obligation Bonds.** On June 6, 2000, the voters of the District authorized the issuance of not-to-exceed \$48,910,000 of general obligation bonds (the “2000 Authorization”). On August 16, 2000, the District issued the first series of bonds under the 2000 Authorization in the aggregate principal amount of \$12,000,000 (the “2000 Series A Bonds”). On March 28, 2002, the District issued the second series of bonds under the 2000 Authorization in the aggregate principal amount of \$28,910,000 (the “2000 Series B Bonds”). On May 6, 2004, the District issued the third series of bonds under the 2000 Authorization in the aggregate principal amount of \$8,000,000 (the “2000 Series C Bonds”). On November 10, 2010, the District issued \$35,850,000 aggregate principal amount of its 2010 General Obligation Refunding Bonds (the “2010 Refunding Bonds”), the proceeds of which were used to refund the District’s then-outstanding 2000 Series A Bonds, 2000 Series B Bonds and 2000 Series C Bonds. On October 20, 2016, the District issued \$20,235,000 aggregate principal amount of its 2016 General Obligation Refunding Bonds (the “2016 Refunding Bonds”), the proceeds of which were used to refund a portion of the District’s then-outstanding 2010 Refunding Bonds.

On June 15, 2017, the District issued the first series of bonds under the 2016 Authorization in the aggregate principal amount of \$30,000,000 (the “2016 Series A Bonds”). On July 12, 2018, the District issued the second series of bonds under the 2016 Authorization in the aggregate principal amount of \$22,000,000 (the “2016 Series B Bonds”). The Bonds represent the third and final series of bonds under the 2016 Authorization, after which none thereof will remain unissued.

The table below shows future debt service payments on all of the District's outstanding general obligation bonds, including the Bonds (assuming no optional redemptions).

<b>Year Ending August 1</b>	<b>2010 Refunding Bonds</b>	<b>2016 Refunding Bonds</b>	<b>2016 Series A Bonds</b>	<b>2016 Series B Bonds</b>	<b>The Bonds</b>	<b>Total</b>
2020	\$2,089,500.00	\$904,000.00	\$1,694,750.00	\$2,202,106.26		
2021	--	2,818,600.00	1,698,950.00	1,202,106.26		
2022	--	2,819,600.00	1,697,150.00	887,106.26		
2023	--	2,817,200.00	1,694,550.00	887,106.26		
2024	--	2,821,400.00	1,696,150.00	887,106.26		
2025	--	2,816,800.00	1,696,750.00	887,106.26		
2026	--	2,818,600.00	1,696,350.00	887,106.26		
2027	--	2,811,400.00	1,698,350.00	1,317,106.26		
2028	--	2,811,900.00	1,698,600.00	1,330,606.26		
2029	--	--	1,697,100.00	1,347,356.26		
2030	--	--	1,694,150.00	1,362,106.26		
2031	--	--	1,697,750.00	1,379,856.26		
2032	--	--	1,694,950.00	1,392,156.26		
2033	--	--	1,695,950.00	1,403,556.26		
2034	--	--	1,695,550.00	1,423,243.76		
2035	--	--	1,698,750.00	1,435,818.76		
2036	--	--	1,695,350.00	1,447,256.26		
2037	--	--	1,695,550.00	1,466,606.26		
2038	--	--	1,694,150.00	1,484,437.50		
2039	--	--	1,695,400.00	1,500,750.00		
2040	--	--	1,698,900.00	1,511,000.00		
2041	--	--	1,694,400.00	1,533,500.00		
2042	--	--	1,697,150.00	1,552,500.00		
2043	--	--	1,696,650.00	1,568,000.00		
2044	--	--	1,697,900.00	1,585,000.00		
2045	--	--	1,697,325.00	1,598,250.00		
2046	--	--	1,650,000.00	1,612,750.00		
2047	--	--	1,575,000.00	1,638,250.00		
2048	--	--	--	<u>1,659,000.00</u>		
<b>Total</b>	<u>\$2,089,500.00</u>	<u>\$23,439,500.00</u>	<u>\$47,333,575.00</u>	<u>\$40,388,850.18</u>		

Source: Claremont Unified School District.

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**Refunding Lease.** On March 15, 2012, the District executed and delivered its 2012 Refunding Lease through a private placement with Capital One Public Funding, LLC. The proceeds of the 2012 Refunding Lease were utilized to refinance its outstanding Certificates of Participation (2001 Financing Project) (the “2001 Certificates of Participation”). The District is obligated to budget and appropriate, from any legally available sources, amounts sufficient in each fiscal year to make lease payments under the 2012 Refunding Lease. The annual lease payments required under the 2012 Refunding Lease are as follows:

<b>Period Ending May 1</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Annual Payments</u></b>
2020	\$360,000.00	\$201,187.50	\$561,187.50
2021	375,000.00	187,687.50	562,687.50
2022	390,000.00	173,625.00	563,625.00
2023	405,000.00	159,000.00	564,000.00
2027	420,000.00	143,812.50	563,812.50
2025	435,000.00	128,062.50	563,062.50
2026	450,000.00	111,750.00	561,750.00
2027	470,000.00	94,875.00	564,875.00
2028	485,000.00	77,250.00	562,250.00
2029	505,000.00	59,062.50	564,062.50
2030	525,000.00	40,125.00	565,125.00
2031	<u>545,000.00</u>	<u>20,437.50</u>	<u>565,437.50</u>
Total	<u>\$5,365,000.00</u>	<u>\$1,396,875.00</u>	<u>\$6,761,875.00</u>

Source: Claremont Unified School District.

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## TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity over the issue price of a Bond (the first price at which a substantial amount of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the Bonds 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 (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

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

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

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO

OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS 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 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

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

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

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

## **LIMITATION ON REMEDIES; BANKRUPTCY**

### **General**

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

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court

(although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

### **Statutory Lien**

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

### **Special Revenues**

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

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

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County’s pooled investment fund, as described in “THE BONDS – Application and Investment of Bond Proceeds” herein and “APPENDIX E – LOS ANGELES COUNTY TREASURY POOL” attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such

procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

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

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

## **LEGAL MATTERS**

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

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

### **Expanded Reporting Requirements**

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

### **Continuing Disclosure**

**Current Undertaking.** The District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2019-20 Fiscal Year, and to provide notices of the occurrence of certain listed events. The Annual Report and notices of listed events will be filed by the District in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

**Prior Undertakings.** Within the past five years, the District has not failed to file Annual Reports or notices of listed events as required by its existing undertakings entered into pursuant to the Rule.



## **Bank Qualified**

The District will designate the Bonds as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution’s interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Code (as defined herein).

## **No Litigation**

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

## **Financial Statements**

The financial statements with supplemental information for the year ended June 30, 2019, the independent auditor’s report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 12, 2019 of Eide Bailly LLP (the “Auditor”), are included in this Official Statement as Appendix B. In connection with the inclusion of the financial statements and the report of the Auditor herein, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

## **Legal Opinion**

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

## **MISCELLANEOUS**

### **Rating**

Moody’s has assigned a rating of “Aa2” to the Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody’s Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file on The Electronic Municipal Market Access (“EMMA”) website operated by the Municipal Securities Rulemaking Board notices of any rating changes on the Bonds. See “LEGAL MATTERS – Continuing Disclosure” herein

and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agency and its website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

### **Underwriting**

Piper Sandler & Co. (the “Underwriter”) has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Bonds for a purchase price of \$ \_\_\_\_\_ (consisting of the principal amount of the Bonds, plus [net] original issue premium of \$ \_\_\_\_\_, and less an underwriting discount of \$ \_\_\_\_\_).

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

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

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

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**Additional Information**

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

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

**CLAREMONT UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
James Elasser, Ed.D.  
Superintendent

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## APPENDIX A

### FORM OF OPINION OF BOND COUNSEL

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

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

Board of Education  
Claremont Unified School District

Members of the Board of Education:

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

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

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

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

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. We give no opinion on the application of the corporate alternative minimum tax to an investment in the Bonds.

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

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

Owner's basis in the applicable Bond. Original issue discount that accrues to the 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 the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

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

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

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

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

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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

**APPENDIX B**

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

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Financial Statements  
June 30, 2019

# Claremont Unified School District



# CLAREMONT UNIFIED SCHOOL DISTRICT

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JUNE 30, 2019

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**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Claremont Unified School District  
Claremont, 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 Claremont Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

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

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedule on page 74, schedule of changes in the District's total OPEB liability and related ratios on page 75, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 76, schedule of the District's proportionate share of the net pension liability on page 77, and the schedule of District contributions on page 78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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.

The accompanying unaudited other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the 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 the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
December 12, 2019

# Claremont Unified School District

District Superintendent  
James Elsasser, Ed.D.



*Inspiring Students of Today, Leaders of Tomorrow!*

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Board of Education  
Hilary LaConte, President  
Beth Bingham, D.Min., Vice President  
Nancy Treser Osgood, Clerk  
Steven Llanusa, Member  
David S. Nemer, Member

Lisa Shoemaker, Assistant Superintendent,  
Business Services

This section of Claremont Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present 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 three categories of activities: governmental, proprietary, and fiduciary.

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

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

The Primary unit of the government is the Claremont 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.



# CLAREMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

---

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

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

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

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

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

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

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

**Proprietary Funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

# CLAREMONT UNIFIED SCHOOL DISTRICT

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

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### 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, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### FINANCIAL HIGHLIGHTS

- Total revenues were \$98.2 million. General revenues accounted for \$79 million or 80 percent of total revenues.
- The District had \$102.3 million in expenses; \$19.2 million of these expenses were offset by program specific charges for services, operating and capital grants, and/or contributions.
- Among major funds, the General Fund had \$85.6 million in revenues and \$83.9 million in expenditures and other uses, providing an increase of revenues over expenditures of \$1,771,281.
- The Adult Education was funded principally by a State block grant and required no financial support from the Local Control Funding Formula.
- The Child Development Fund ended the year with an increase to its fund balance of \$377,109.
- The District's Cafeteria Fund decreased its fund balance by \$86,815; however, it also received a contribution from the General Fund of \$558,828.
- The Special Reserve Fund for Capital Outlay Projects decreased its fund balance by \$260,272. This decrease is due primarily to the purchase of iPads to support the District's technology initiative.

# CLAREMONT UNIFIED SCHOOL DISTRICT

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

### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$(26,767,820) for the fiscal year ended June 30, 2019. Of this amount, \$(70,678,800) was unrestricted. 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	
	2019	2018
<b>Assets</b>		
Current and other assets	\$ 65,192,488	\$ 56,130,577
Capital assets	92,845,553	78,385,486
<b>Total Assets</b>	<b>158,038,041</b>	<b>134,516,063</b>
<b>Deferred Outflows of Resources</b>		
Deferred charge on refunding	2,332,425	2,589,206
Deferred outflows of resources related to pensions	25,402,020	26,118,513
Deferred outflows of resources related to OPEB	678,770	595,327
<b>Total Deferred Outflows of Resources</b>	<b>28,413,215</b>	<b>29,303,046</b>
<b>Liabilities</b>		
Current liabilities	18,894,627	15,090,161
Long-term obligations - noncurrent portion	101,970,076	82,204,070
Aggregate net pension liability	83,998,986	81,376,520
<b>Total Liabilities</b>	<b>204,863,689</b>	<b>178,670,751</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	8,023,712	7,775,941
Deferred inflows of resources related to OPEB	331,675	-
<b>Total Deferred Inflows of Resources</b>	<b>8,355,387</b>	<b>7,775,941</b>
<b>Net Position</b>		
Net investment in capital assets	30,341,315	32,583,230
Restricted	13,569,665	12,592,268
Unrestricted	(70,678,800)	(67,803,081)
<b>Total Net Position</b>	<b>\$ (26,767,820)</b>	<b>\$ (22,627,583)</b>

The \$(70,678,800) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The deficit of the unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by four percent (\$70,678,800) compared to (\$67,803,081) for the prior year.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

### 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 16. 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**

	2019	2018
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 3,821,714	\$ 3,006,362
Operating grants and contributions	15,363,629	13,056,168
General revenues:		
Federal and State aid not restricted	49,314,477	45,172,724
Property taxes	23,146,425	22,217,608
Other general revenues	6,538,319	7,114,192
<b>Total Revenues</b>	<b>98,184,564</b>	<b>90,567,054</b>
<b>Expenses</b>		
Instruction	51,461,492	50,055,135
Instruction-related	10,487,780	9,088,461
Pupil services	15,540,519	13,855,455
Administration	7,267,844	6,064,603
Plant services	11,236,911	12,792,805
All other services	6,330,255	4,507,538
<b>Total Expenses</b>	<b>102,324,801</b>	<b>96,363,997</b>
<b>Change in Net Position</b>	<b>\$ (4,140,237)</b>	<b>\$ (5,796,943)</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$102,324,801. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$23,146,425 because the cost was paid by those who benefited from the programs (\$3,821,714) or by other governments and organizations who subsidized certain programs with grants and contributions (\$15,363,629). We paid for the remaining "public benefit" portion of our governmental activities with \$55,852,796 in State funds, and with other revenues, like interest and general entitlements.

# CLAREMONT UNIFIED SCHOOL DISTRICT

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

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

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$ 51,461,492	\$ 50,055,135	\$ 41,151,226	\$ 41,258,091
Instruction-related activities	10,487,780	9,088,461	8,671,011	7,495,520
Pupil services	15,540,519	13,855,455	10,597,525	9,231,720
Administration	7,267,844	6,064,603	6,997,833	5,845,694
Plant services	11,236,911	12,792,805	10,714,799	12,493,780
All other services	6,330,255	4,507,538	5,007,064	3,976,662
<b>Total</b>	<b>\$ 102,324,801</b>	<b>\$ 96,363,997</b>	<b>\$ 83,139,458</b>	<b>\$ 80,301,467</b>

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$50,383,402, which is an increase of \$6,553,099 from last year (Table 4).

**Table 4**

	Balances			
	July 1, 2018	Revenues and Other	Expenditures and Other	June 30, 2019
		Financing Sources	Financing Uses	
General Fund	\$ 8,700,552	\$ 85,632,609	\$ 83,861,328	\$ 10,471,833
Building Fund	19,451,031	22,658,121	19,313,445	22,795,707
Special Reserve Fund for Capital Outlay Projects	6,676,876	214,525	474,797	6,416,604
Bond Interest and Redemption Fund	6,355,255	7,788,000	6,277,181	7,866,074
Adult Education Fund	214,539	1,126,389	1,290,770	50,158
Child Development Fund	575,792	2,675,776	2,298,667	952,901
Cafeteria Fund	161,728	2,818,503	2,905,318	74,913
Capital Facilities Fund	1,568,975	2,491,993	2,433,942	1,627,026
County School Facilities Fund	125,555	2,631	-	128,186
<b>Total</b>	<b>\$ 43,830,303</b>	<b>125,408,547</b>	<b>118,855,448</b>	<b>\$ 50,383,402</b>

# CLAREMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

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Some of the principal changes include:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased \$1,771,281 to \$10.5 million. On a \$80.1 million budget, the increase represents an amount equivalent to approximately 2.2 percent of the operating budget.
- b. \$19.3 million in Measure G bond proceeds were expended on completing capital improvement projects, as well as initiating several new projects.
- c. The District continues to both expand and sustain its iPad initiative with expenditures totaling approximately \$376,000.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 20, 2019. (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 74.) Some of the most significant changes in the budget were due to the following:

- One-time discretionary funds were originally anticipated to be \$295 per ADA, however when the State budget was adopted, it included only \$184 per ADA in one-time funding.
- Collective bargaining agreement settlements for 2018-2019 were board approved in June 2018, however this was too late to incorporate the impacts into the 2018-2019 original budget. The budget was adjusted subsequent to the original budget adoption.
- Consistent with practice each year, carryover amounts for specific grants and fund balance assignments are added to the budget once the prior year books have been closed and the amounts become known.
- The LCFF Cost of Living Allowance (COLA) changed from an original projection of 3.0 percent to the final figure of 3.7 percent and revenue projections were adjusted accordingly.
- The 2018-2019 adopted State budget included an allocation for the Low Performing Student Block Grant. A budget adjustment of \$426,821 was made to the District's budget for the portion allocated to the District.

# CLAREMONT UNIFIED SCHOOL DISTRICT

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

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2019, the District had \$92,845,553 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$14,460,067 from last year (Table 5).

**Table 5**

	Governmental Activities	
	2019	2018
Land and construction in progress	\$ 22,570,501	\$ 5,699,641
Buildings and improvements	69,604,054	72,103,129
Equipment	670,998	582,716
<b>Total</b>	<b>\$ 92,845,553</b>	<b>\$ 78,385,486</b>

Several capital projects are planned for the 2019-2020 year, including completion of modular classrooms to replace portables at two remaining elementary sites, pool renovations at both Claremont High School and El Roble Intermediate School, locker room modernization at Claremont High School, and initiation of the Student Center and Nutrition Services building at Claremont High School. 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 \$106,938,339 in long-term obligations versus \$86,277,333 last year. The obligations consisted of:

**Table 6**

	Governmental Activities	
	2019	2018
General obligation bonds - net (financed with property taxes)	\$ 82,267,370	\$ 62,127,493
Certificates of participation	5,365,000	5,715,000
Compensated Absences	554,889	502,289
Supplemental Early Retirement Program (SERP)	594,789	793,052
Aggregate Net OPEB Liability	18,156,291	17,139,499
<b>Total</b>	<b>\$ 106,938,339</b>	<b>\$ 86,277,333</b>

The District's general obligation bond rating is "AA-" with Standard & Poor's and "Aa2" with Moody's Investor Service.

Other obligations include certificates of participation, compensated absences payable, supplemental early retirement program, and the aggregate net other postemployment benefits (OPEB) liability. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

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### Net Pension Liability (NPL)

At year-end, the District has a net pension liability of \$83,998,986 versus \$81,376,520 last year, an increase of \$2,622,466, or 3.2 percent.

### SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:

- The 2013-2014 passage of Assembly Bill 97 instituted the Local Control Funding Formula (LCFF) and the Local Control Accountability Plan (LCAP). The District's LCAP is developed annually, and the Board of Education received a mid-year update on actions and planned services in January 2019.
- Chaparral Elementary designed a new Science, Technology, Engineering, Arts, and Mathematics (STEAM) lab that will be opened in the 2019-2020 academic year.
- San Antonio High School (SAHS) was named the fourth Apple Distinguished School in the District for its approach to interdisciplinary, project-based instruction. It should be noted that SAHS is the only continuation high school to have ever received this award.
- Vista del Valle Elementary School was recognized by the University of Southern California Sol Price Center for School Innovation and the Rossier School of Education Center for Education, Policy, Equity, and Governance as a top performing school in Los Angeles County.
- Vista del Valle Elementary School was also nominated to apply for the 2020 California Distinguished School Program.
- Chaparral Elementary, Condit Elementary, Mountain View Elementary, Oakmont Outdoor School, Sycamore Elementary, and Vista del Valle Elementary schools were recognized by the Positive Behavioral Interventions and Supports (PBIS) Coalition for successful implementation of PBIS at the GOLD status level. Sumner Danbury Elementary, Claremont High School, San Antonio High School, and El Roble Intermediate School were all recognized for implementation of PBIS at the SILVER status level.
- Sumner Danbury Elementary celebrated their first school-wide inclusive art day with ZotArts.
- Condit Elementary and Mountain View Elementary had the highest growth in the District on the California Assessment of Student Performance and Progress (CAASPP)
- 91 English Learner (EL) students were reclassified during the 2018-2019 year.
- 164 high school students earned the Seal of Biliteracy. The Seal of Biliteracy is awarded to recognize students that have studied and attained proficiency in two or more languages by high school graduation.
- The District continued expansion of its one-to-one iPad initiative to assist with inspiring creativity, collaboration, and critical thinking in classrooms. El Roble Intermediate prepared for the implementation of a new one-to-one take home iPad program for all students.



# CLAREMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2019**

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

In considering the District Budget for the 2019-2020 year, the governing board and management used the following criteria:

Key assumptions in the revenue forecast include:

- Stable enrollment of 6,870 and budgeted Average Daily Attendance of 6,611.
- 37.85 percent unduplicated pupil count for supplemental grant funding.
- Statutory COLA of 3.26 percent.
- Recreational Assessment District (RAD) collections will remain relatively level as they are based upon a static amount \$88.10 per Single Family Equivalency Unit. The number of 2019-2020 Single Family Equivalency Units remains roughly the same as the prior year.

Other items specifically addressed in the budget include:

- Expenditures of \$4.4 million in supplemental funding to provide services for improving student achievement primarily for English Learner, Low Income, and Homeless and Foster Youth students.
- A 3.0 percent contribution to the Routine Restricted Maintenance account, amounting to \$2,449,160.
- A block grant of \$1,045,325 for the Adult Education Program.
- A self-supporting Child Development Program with expenditures of approximately \$2.5 million.
- An ongoing commitment to the implementation of California State Standards, including staff development in the areas of both curriculum and technology.
- 182 teacher contract days (184 for Education Specialists).
- A District contribution to the employee health and welfare benefit pool of \$9,752 per FTE.

### 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 Lisa Shoemaker, Assistant Superintendent, Business Services, at Claremont Unified School District, Claremont, California, 91711, or e-mail at [lshoemaker@cusd.claremont.edu](mailto:lshoemaker@cusd.claremont.edu).

# CLAREMONT UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2019

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 61,909,898
Receivables	3,208,759
Prepaid expenses	27,960
Stores inventories	45,871
Capital Assets	
Capital assets not depreciated	22,570,501
Capital assets, net of accumulated depreciation	70,275,052
Total Capital Assets	<u>92,845,553</u>
<b>Total Assets</b>	<u>158,038,041</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	2,332,425
Deferred outflows of resources related to pensions	25,402,020
Deferred outflows of resources related to OPEB	678,770
<b>Total Deferred Outflows         of Resources</b>	<u>28,413,215</u>
<b>LIABILITIES</b>	
Accounts payable	12,267,965
Interest payable	1,358,233
Unearned revenue	300,166
Current portion of long-term obligations other than pensions	4,968,263
Noncurrent portion of long-term obligations other than pensions	101,970,076
Total Long-Term Obligations	<u>106,938,339</u>
Aggregate net pension liability	<u>83,998,986</u>
<b>Total Liabilities</b>	<u>204,863,689</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	8,023,712
Deferred inflows of resources related to OPEB	331,675
<b>Total Deferred Inflows         of Resources</b>	<u>8,355,387</u>
<b>NET POSITION</b>	
Net investment in capital assets	30,341,315
Restricted for:	
Debt service	6,507,841
Capital projects	3,240,538
Educational programs	548,230
Other activities	3,273,056
Unrestricted	(70,678,800)
<b>Total Net Position</b>	<u>\$ (26,767,820)</u>

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

**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 51,461,492	\$ 2,087,672	\$ 8,222,594	\$ (41,151,226)
Instruction-related activities:				
Supervision of instruction	2,249,287	4,871	358,409	(1,886,007)
Instructional library, media, and technology	929,519	-	141,526	(787,993)
School site administration	7,308,974	286,243	1,025,720	(5,997,011)
Pupil services:				
Home-to-school transportation	1,571,624	-	1,208	(1,570,416)
Food services	3,588,922	-	1,333,522	(2,255,400)
All other pupil services	10,379,973	1,196,985	2,411,279	(6,771,709)
Administration:				
Data processing	2,199,696	-	-	(2,199,696)
All other administration	5,068,148	-	270,011	(4,798,137)
Plant services	11,236,911	28,802	493,310	(10,714,799)
Ancillary services	884,363	-	41,057	(843,306)
Enterprise services	258,414	-	-	(258,414)
Interest on long-term obligations	3,275,869	-	-	(3,275,869)
Other outgo	1,911,609	217,141	1,064,993	(629,475)
<b>Total Governmental Activities</b>	<b>\$ 102,324,801</b>	<b>\$ 3,821,714</b>	<b>\$ 15,363,629</b>	<b>(83,139,458)</b>
<b>General revenues and subventions:</b>				
				15,849,512
Property taxes, levied for general purposes				5,285,006
Property taxes, levied for debt service				2,011,907
Taxes levied for other specific purposes				49,314,477
Federal and State aid not restricted to specific purposes				325,361
Interest and investment earnings				6,212,958
Miscellaneous				
<b>Subtotal, General Revenues</b>				<b>78,999,221</b>
<b>Change in Net Position</b>				<b>(4,140,237)</b>
Net Position - Beginning				(22,627,583)
Net Position - Ending				<b>\$ (26,767,820)</b>

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

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**JUNE 30, 2019**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>
<b>ASSETS</b>			
Deposits and investments	\$ 14,326,641	\$ 27,402,254	\$ 6,387,520
Receivables	2,420,959	152,399	34,335
Due from other funds	482,799	-	-
Prepaid expenditures	11,960	16,000	-
Stores inventories	-	-	-
<b>Total Assets</b>	<b>\$ 17,242,359</b>	<b>\$ 27,570,653</b>	<b>\$ 6,421,855</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 6,424,702	\$ 4,774,946	\$ 5,251
Due to other funds	128,828	-	-
Unearned revenue	216,996	-	-
<b>Total Liabilities</b>	<b>6,770,526</b>	<b>4,774,946</b>	<b>5,251</b>
<b>Fund Balances:</b>			
Nonspendable	30,960	16,000	-
Restricted	548,230	22,779,707	1,485,326
Assigned	1,492,405	-	4,931,278
Unassigned	8,400,238	-	-
<b>Total Fund Balances</b>	<b>10,471,833</b>	<b>22,795,707</b>	<b>6,416,604</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 17,242,359</b>	<b>\$ 27,570,653</b>	<b>\$ 6,421,855</b>

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

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<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 7,866,074	\$ 3,012,928	\$ 58,995,417
-	601,066	3,208,759
-	128,828	611,627
-	-	27,960
-	45,871	45,871
<u>\$ 7,866,074</u>	<u>\$ 3,788,693</u>	<u>\$ 62,889,634</u>

\$ -	\$ 389,540	\$ 11,594,439
-	482,799	611,627
-	83,170	300,166
-	955,509	12,506,232
-	45,871	92,831
7,866,074	2,787,313	35,466,650
-	-	6,423,683
-	-	8,400,238
<u>7,866,074</u>	<u>2,833,184</u>	<u>50,383,402</u>
<u>\$ 7,866,074</u>	<u>\$ 3,788,693</u>	<u>\$ 62,889,634</u>

**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 50,383,402</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 144,999,727
Accumulated depreciation is	<u>(52,154,174)</u>
Net Capital Assets	92,845,553
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.	
	2,332,425
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.	
	(1,358,233)
An internal service fund is used by the District's management to charge the costs of the insurance premiums to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.	
	2,240,955
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	8,154,867
Net change in proportionate share of net pension liability	3,542,562
Differences between projected and actual earnings on the pension plan investments	213,654
Differences between expected and actual experience in the measurement of the total pension liability	1,887,336
Changes of assumptions	<u>11,603,601</u>
Total Deferred Outflows of Resources Related to Pensions	25,402,020
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and in not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of amounts paid by the District for OPEB as the benefits come due subsequent to the measurement date.	
	678,770

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

**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

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Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pensions liability	\$ (4,950,480)	
Differences between projected and actual earnings on the pension plan investments	(2,231,467)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(841,765)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (8,023,712)

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 OPEB at year-end consist of changes of assumptions.

(331,675)

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

(83,998,986)

Long-term obligations at year-end consist of:

General Obligation Bonds (including premium)	82,267,370	
Certificates of Participation	5,365,000	
Compensated absences (vacations)	554,889	
Supplemental Employee Retirement Plan (SERP)	594,789	
Net Other Postemployment Benefits (OPEB) liability	<u>18,156,291</u>	
Total Long-Term Obligations		<u>(106,938,339)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ (26,767,820)</u></b>

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

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 62,389,931	\$ -	\$ -
Federal sources	2,957,553	-	-
Other State sources	10,231,828	-	-
Other local sources	10,053,297	658,121	130,759
<b>Total Revenues</b>	<b>85,632,609</b>	<b>658,121</b>	<b>130,759</b>
<b>EXPENDITURES</b>			
Current			
Instruction	48,382,757	-	-
Instruction-related activities:			
Supervision of instruction	2,213,238	-	-
Instructional library, media and technology	578,749	-	-
School site administration	5,773,434	-	-
Pupil services:			
Home-to-school transportation	1,512,773	-	-
Food services	72,494	-	-
All other pupil services	9,603,929	-	-
Administration:			
Data processing	1,135,160	-	-
All other administration	4,594,365	-	-
Plant services	5,858,415	-	460,282
Ancillary services	750,988	-	-
Other outgo	1,911,609	-	-
Facility acquisition and construction	4,006	18,921,445	14,515
Debt service			
Principal	-	-	-
Interest and other	-	392,000	-
<b>Total Expenditures</b>	<b>82,391,917</b>	<b>19,313,445</b>	<b>474,797</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>3,240,692</b>	<b>(18,655,324)</b>	<b>(344,038)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	83,766
Other sources - proceeds from bond issuance	-	22,000,000	-
Transfers out	(1,469,411)	-	-
<b>Net Financing Sources (Uses)</b>	<b>(1,469,411)</b>	<b>22,000,000</b>	<b>83,766</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,771,281</b>	<b>3,344,676</b>	<b>(260,272)</b>
<b>Fund Balance - Beginning</b>	<b>8,700,552</b>	<b>19,451,031</b>	<b>6,676,876</b>
<b>Fund Balance - Ending</b>	<b>\$ 10,471,833</b>	<b>\$ 22,795,707</b>	<b>\$ 6,416,604</b>

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



<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 62,389,931
-	1,395,632	4,353,185
40,067	1,484,186	11,756,081
5,368,366	4,849,829	21,060,372
<u>5,408,433</u>	<u>7,729,647</u>	<u>99,559,569</u>
-	2,173,593	50,556,350
-	1,629	2,214,867
-	145,890	724,639
-	834,877	6,608,311
-	-	1,512,773
-	2,948,666	3,021,160
-	27,198	9,631,127
-	-	1,135,160
-	148,792	4,743,157
-	1,985,591	8,304,288
-	-	750,988
-	-	1,911,609
-	98,148	19,038,114
3,525,000	350,000	3,875,000
2,752,181	214,313	3,358,494
<u>6,277,181</u>	<u>8,928,697</u>	<u>117,386,037</u>
<u>(868,748)</u>	<u>(1,199,050)</u>	<u>(17,826,468)</u>
-	1,385,645	1,469,411
2,379,567	-	24,379,567
-	-	(1,469,411)
<u>2,379,567</u>	<u>1,385,645</u>	<u>24,379,567</u>
1,510,819	186,595	6,553,099
6,355,255	2,646,589	43,830,303
<u>\$ 7,866,074</u>	<u>\$ 2,833,184</u>	<u>\$ 50,383,402</u>

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019**

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 6,553,099</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>	
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 capital outlay exceeds depreciation in the period.	
Capital outlay	\$ 18,808,282
Depreciation expense	<u>(2,597,882)</u>
Net Expense Adjustment	16,210,400
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.	(1,750,333)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) 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). Compensated absences earned was more than the amounts used by \$52,600. Termination benefits (SERP) benefits decreased by a net amount of \$198,263.	145,663
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.	(3,586,730)
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.	(1,265,024)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:	(22,000,000)
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized over the life of the debt in the Statement of Activities.	(2,379,567)

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

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**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, 2019**

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Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. This adjustment represents the net changes of the following balances:

Amortization of debt premium	\$ 714,690	
Amortization of deferred charge on refunding	(256,781)	
Combined Adjustment		\$ 457,909

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	3,525,000	
Certificates of participation	350,000	
		3,875,000

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as interest accrues, regardless of when it is due.

(375,284)

An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance premiums to the individual funds. The net change in assets of the Internal Service Fund is reported with governmental activities.

(25,370)

**Change in Net Position of Governmental Activities**

\$ (4,140,237)

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

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 2,914,481
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	673,526
<b>NET POSITION</b>	
Restricted	\$ 2,240,955

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

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>OPERATING REVENUES</b>	
Local and intermediate sources	<u>\$ 6,600,367</u>
<b>OPERATING EXPENSES</b>	
Supplies and materials	42
Other operating cost	<u>6,642,617</u>
<b>Total Operating Expenses</b>	<u>6,642,659</u>
<b>Operating Loss</b>	<u>(42,292)</u>
<b>NONOPERATING REVENUES</b>	
Interest income	<u>16,922</u>
<b>Change in Net Position</b>	<u>(25,370)</u>
<b>Total Net Position - Beginning</b>	<u>2,266,325</u>
<b>Total Net Position - Ending</b>	<u><u>\$ 2,240,955</u></u>

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

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from premiums and other revenue	\$ 6,600,370
Cash payments for claims and operating expenses	(6,625,662)
Net Cash Provided by Operating Activities	<u>(25,292)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	16,922
Net Decrease in Cash and Cash Equivalents	(8,370)
Cash and Cash Equivalents - Beginning	2,922,851
Cash and Cash Equivalents - Ending	<u>\$ 2,914,481</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (42,292)
Changes in assets and liabilities:	
Receivables	3
Payable	16,997
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ (25,292)</u>

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

**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ (59,147)
<b>LIABILITIES</b>	
Due to student groups	\$ 367,507
Due to employees	(426,654)
<b>Total Liabilities</b>	<u>\$ (59,147)</u>

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

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Claremont Unified School District (the District) was organized on July 1, 1936, 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 Federal agencies. The District operates seven elementary schools, one intermediate school, one high school, one continuation high school, one community day school, and one adult education school. In addition, classes for orthopedically handicapped pupils (preschool through grade six) are maintained at Danbury Elementary 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 Claremont 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 has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it 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 its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

California School Boards Association Finance Corporation - The District and the California School Boards Association Finance Corporation (the Corporation) have a financial and operational relationship which meets the reporting entity definition criteria of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the District's portion of the financing activity have been included in the financial statements of the District within the Special Reserve Fund for Capital Outlay Projects. Certificates of Participation issued by the Corporation are included as liabilities of the District. Individually prepared financial statements are not prepared for the Corporation.

#### Basis of Presentation - Fund Accounting

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



# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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**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.

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

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

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of 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.

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

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

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

**Proprietary Funds** Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following Proprietary Fund:

**Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District uses the Internal Service Fund to purchase health insurance and to fund the District's dental, and vision self-insured programs for employees.

**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.

The District maintains fiduciary funds that are classified as agency 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 fund accounts for Student Body Activities (ASB) and payroll withholdings of the District employees.

### **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.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues 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 does not allocate 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 internal service fund, and the restrictions on their use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

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

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

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

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

---

**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 45 or 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.

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

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically 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.

### **Cash and Cash Equivalents**

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

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### Prepaid Expenditures (Expenses)

Prepaid expenditures (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 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 position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at 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, 15 years; equipment, 5 to 20 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 columns of the statement of net position.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **Compensated Absences**

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

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

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

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.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Deferred Outflows/Inflows of Resources

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

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

### Pensions

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

### Postemployment Benefits Other Than Pensions (OPEB)

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

### Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

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

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District 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 \$13,569,665 of restricted net position.

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Interfund Activity**

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



# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Estimates

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

### Property Tax

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

### Change in Accounting Principles

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

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

The District has implemented the provisions of this Statement as of June 30, 2019.

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

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

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

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

The District has implemented the provisions of this Statement as of June 30, 2019.

### **New Accounting Pronouncements**

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

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

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

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

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

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

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

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

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

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 61,909,898
Fiduciary funds	(59,147) *
Total Deposits and Investments	<u>\$ 61,850,751</u>

\* The District Voluntary Payroll Withholdings Fund ended the year with a deficit cash in county balance of \$426,654.

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

Cash on hand and in banks	\$ 492,184
Cash in revolving	19,000
Investments	61,339,567
Total Deposits and Investments	<u>\$ 61,850,751</u>

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

### 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

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the *California Government Code* or the County's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Los Angeles County Investment Pool and by having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$61,339,567 with the Los Angeles County Investment Pool with an average weighted maturity of 547 days.

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2019.

### 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 have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance of \$815,340 was fully insured or collateralized with securities, held by the pledging financial institutions trust department in the District's name.

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**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 Los Angeles 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, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Los Angeles County Investment Pool	<u>\$ 61,280,729</u>	<u>\$ 61,280,729</u>

All assets have been valued using a market approach, with quoted market prices.



**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	\$ 1,643,711	\$ -	\$ -	\$ 288,266	\$ 1,931,977
State Government					
Categorical aid	82,618	-	-	56,707	139,325
Lottery	315,707	-	-	-	315,707
Local Government					
Interest	55,686	152,399	34,335	18,017	260,437
Other local sources	323,237	-	-	238,077	561,314
Total	<u>\$ 2,420,959</u>	<u>\$ 152,399</u>	<u>\$ 34,335</u>	<u>\$ 601,067</u>	<u>\$ 3,208,760</u>

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 887,688	\$ -	\$ -	\$ 887,688
Construction in Progress	4,811,953	18,442,821	1,571,961	21,682,813
Total Capital Assets Not Being Depreciated	<u>5,699,641</u>	<u>18,442,821</u>	<u>1,571,961</u>	<u>22,570,501</u>
Capital Assets Being Depreciated:				
Land Improvements	9,724,271	54,160	258,630	9,519,801
Buildings and Improvements	112,738,617	1,709,223	3,544,970	110,902,870
Furniture and Equipment	1,922,778	174,039	90,262	2,006,555
Total Capital Assets Being Depreciated	<u>124,385,666</u>	<u>1,937,422</u>	<u>3,893,862</u>	<u>122,429,226</u>
Total Capital Assets	<u>130,085,307</u>	<u>20,380,243</u>	<u>5,465,823</u>	<u>144,999,727</u>
Less Accumulated Depreciation:				
Land Improvements	7,115,375	590,886	230,483	7,475,778
Buildings and Improvements	43,244,384	1,921,239	1,822,784	43,342,839
Furniture and Equipment	1,340,062	85,757	90,262	1,335,557
Total Accumulated Depreciation Governmental Activities	<u>51,699,821</u>	<u>2,597,882</u>	<u>2,143,529</u>	<u>52,154,174</u>
Capital Assets, Net	<u>\$ 78,385,486</u>	<u>\$17,782,361</u>	<u>\$ 3,322,294</u>	<u>\$ 92,845,553</u>

Depreciation expense was charged as a direct expense to governmental activities as follows:

<b>Governmental Activities</b>	
Instruction	\$ 1,130,094
Supervision of instruction	49,885
Instructional library, media, and technology	16,043
School site administration	147,539
Home-to-school transportation	35,161
Food services	68,770
All other pupil services	215,654
Data processing	23,542
All other administration	108,532
Plant services	631,263
Enterprise Activities	154,392
Ancillary services	17,007
Total Depreciation Expenses Governmental Activities	<u>\$ 2,597,882</u>

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019, between major and non-major governmental funds, are as follows:

Due To	Due From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 482,799	\$ 482,799
Non-Major Governmental Funds	128,828	-	128,828
Total	<u>\$ 128,828</u>	<u>\$ 482,799</u>	<u>\$ 611,627</u>

The balance of \$482,799 due to the General Fund from the Cafeteria Non-Major Governmental Fund was for operating expenses.

The balance of \$128,828 due to the Cafeteria Non-Major Governmental Fund from the General Fund was for bad debts and support cost.

**Operating Transfers**

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

Transfer To	Transfer From
	General Fund
Special Reserve Fund for Capital Outlay Projects	\$ 83,766
Non-Major Governmental Funds	1,385,645
Total	<u>\$ 1,469,411</u>

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for operating leases.

\$ 83,766

The General Fund transferred to the Cafeteria Non-Major Governmental Fund for support cost.

558,828

The General Fund transferred to the Capital Facilities Non-Major Governmental Fund for Capital Facilities project cost related to the Recreation Assessment District.

826,817

Total

\$ 1,469,411

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 7 - ACCOUNTS PAYABLE**

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

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total
Salaries and benefits	\$ 4,713,007	\$ 17,167	\$ -	\$ 240,052	\$ -	\$ 4,970,226
LCFF apportionment	1,229,933	-	-	-	-	1,229,933
Construction	-	4,757,779	5,251	72,966	-	4,835,996
Vendor payables	481,762	-	-	76,522	673,526	1,231,810
Total	<u>\$ 6,424,702</u>	<u>\$ 4,774,946</u>	<u>\$ 5,251</u>	<u>\$ 389,540</u>	<u>\$ 673,526</u>	<u>\$ 12,267,965</u>

**NOTE 8 - UNEARNED REVENUE**

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

	General Fund	Non-Major Governmental Funds	Total
Federal categorical aid	\$ 9,543	\$ -	\$ 9,543
State categorical aid	3,728	-	3,728
Other local	203,725	83,170	286,895
Total	<u>\$ 216,996</u>	<u>\$ 83,170</u>	<u>\$ 300,166</u>

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General Obligation Bond					
2010 Refunding Bond	\$ 5,710,000	\$ -	\$ 1,825,000	\$ 3,885,000	\$ 1,895,000
Bond Premium	827,521	-	268,385	559,136	-
2016 Refunding Bond	19,830,000	-	165,000	19,665,000	175,000
Bond Premium	2,627,517	-	260,580	2,366,937	-
2016 GO Bond, Series A	30,000,000	-	1,535,000	28,465,000	1,640,000
Bond Premium	3,132,455	-	107,706	3,024,749	-
2016 GO Bond, Series B	-	22,000,000	-	22,000,000	700,000
Bond Premium	-	2,379,567	78,019	2,301,548	-
Certificates of Participation-2012	5,715,000	-	350,000	5,365,000	360,000
Compensated absences	502,289	52,600	-	554,889	-
Supplemental Early Retirement Program (SERP)	793,052	-	198,263	594,789	198,263
Aggregate Net Other Postemployment Benefits (OPEB) Liability	17,139,499	2,004,509	987,717	18,156,291	-
Total	<u>\$ 86,277,333</u>	<u>\$ 26,436,676</u>	<u>\$ 5,775,670</u>	<u>\$ 106,938,339</u>	<u>\$ 4,968,263</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenue. The Capital Facilities Fund make the certificates of participation payments. The compensated absence payments are paid by the fund for which the employee worked. The SERP payments and the aggregate net OPEB liability are made by the General Fund.

**General Obligation Bonds**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds	
				Outstanding July 1, 2018	Issued	Redeemed	Outstanding June 30, 2019
10/28/2010	08/01/2020	2.00-5.00%	\$ 35,850,000	\$ 5,710,000	\$ -	\$ 1,825,000	\$ 3,885,000
09/22/2016	08/01/2028	2.00-4.00%	20,235,000	19,830,000	-	165,000	19,665,000
05/23/2017	08/01/2047	2.00-5.00%	30,000,000	30,000,000	-	1,535,000	28,465,000
07/12/2018	08/01/2048	3.00-5.00%	22,000,000	-	22,000,000	-	22,000,000
				<u>\$ 55,540,000</u>	<u>\$ 22,000,000</u>	<u>\$ 3,525,000</u>	<u>\$ 74,015,000</u>

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **General Obligation Bonds, 2010 Refunding Bonds**

On June 6, 2000 the voters approved the issuance of bonds, not to exceed \$48,910,000 million, for the purpose of raising money to finance the acquisition, construction and modernization of school facilities and paying related costs. Between 2000 and 2004, the District issued Series A, B and C General Obligation Bonds.

In 2010, the District issued General Obligation Refunding Bonds in the amount of \$35,850,000. The proceeds were used to refund the remaining portion of Series A, B and C General Obligation Bonds and pay related costs.

At June 30, 2019, the principal balance outstanding was \$3,885,000. The unamortized premium on the bonds as of June 30, 2019, was \$559,136.

### **2016 General Obligation Refunding Bonds**

In September 2016, the District issued in the amount of \$20,235,000, the 2016 General Obligation Refunding Bonds. The bonds were issued as current interest bonds. The bonds were issued to advance refund a portion of the outstanding 2010 General Obligation Refunding Bonds. The bonds bear interest rates of 2.00 to 4.00 percent and mature through the fiscal year 2029.

\$19,905,000 is the principal amount to be refunded at the redemption date of August 1, 2020. At June 30, 2019, the balance of the funds in the escrow account was \$20,814,867. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cumulative cash flow saving of \$2,291,394 over the life of the new debt and an economic gain of \$2,046,309 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 1.56 percent.

At June 30, 2019, the principal balance of the 2016 General Obligation Refunding Bonds outstanding was \$19,665,000. Unamortized premium received on issuance of the bonds amounted to \$2,366,937 as of June 30, 2019.

### **2016 General Obligation Bonds, Series A**

In May 2017, the District issued in the amount of \$30,000,000, the General Obligation Bonds, Election 2016, Series A. The bonds bear interest rates of 2.00 to 5.00 percent and mature through the fiscal year 2048. The bonds were issued to finance the acquisition and construction of education facilities and projects and to pay for the cost of issuing the bonds. At June 30, 2019, the principal balance outstanding was \$28,465,000. Unamortized premium received on issuance of the bonds amounted to \$3,024,749 as of June 30, 2019.

### **2016 General Obligation Bonds, Series B**

In July 2018, the District issued in the amount of \$22,000,000, the General Obligation Bonds, Election 2016, Series B. The bonds bear interest rates of 3.00 to 5.00 percent and mature through the fiscal year 2049. The bonds were issued to finance the acquisition and construction of education facilities and projects and to pay for the cost of issuing the bonds. At June 30, 2019, the principal balance outstanding was \$22,000,000. Unamortized premium received on issuance of the bonds amounted to \$2,301,548 as of June 30, 2019.

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Debt Service Requirements to Maturity**

The 2010 Refunding General Obligation Bonds mature through 2021 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 1,895,000	\$ 146,875	\$ 2,041,875
2021	1,990,000	49,750	2,039,750
Total	\$ 3,885,000	\$ 196,625	\$ 4,081,625

The 2016 Refunding General Obligation Bonds mature through 2029 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 175,000	\$ 726,625	\$ 901,625
2021	180,000	721,300	901,300
2022	2,100,000	676,600	2,776,600
2023	2,185,000	590,900	2,775,900
2024	2,270,000	501,800	2,771,800
2025-2029	12,755,000	1,096,900	13,851,900
Total	\$ 19,665,000	\$ 4,314,125	\$ 23,979,125

The 2016 Series A General Obligation Bonds mature through 2048 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 1,640,000	\$ 1,199,350	\$ 2,839,350
2021	520,000	1,164,350	1,684,350
2022	545,000	1,143,050	1,688,050
2023	565,000	1,120,850	1,685,850
2024	585,000	1,097,850	1,682,850
2025-2029	3,330,000	5,079,175	8,409,175
2030-2034	4,105,000	4,296,625	8,401,625
2035-2039	4,985,000	3,389,275	8,374,275
2040-2044	6,250,000	2,076,250	8,326,250
2045-2048	5,940,000	553,775	6,493,775
Total	\$ 28,465,000	\$ 21,120,550	\$ 49,585,550

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The 2016 Series B General Obligation Bonds mature through 2049 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ 700,000	\$ 966,106	\$ 1,666,106
2021	1,250,000	927,106	2,177,106
2022	300,000	894,606	1,194,606
2023	-	887,106	887,106
2024	-	887,106	887,106
2025-2029	895,000	4,391,657	5,286,657
2030-2034	2,910,000	3,920,475	6,830,475
2035-2039	3,830,000	3,363,616	7,193,616
2040-2044	5,115,000	2,422,875	7,537,875
2045-2049	7,000,000	918,250	7,918,250
Total	<u>\$ 22,000,000</u>	<u>\$ 19,578,903</u>	<u>\$ 41,578,903</u>

### Certificates of Participation

On November 6, 2001, the District issued \$13,000,000 of Certificates of Participation (COP). The proceeds were used to pay off an outstanding capital lease obligation and to finance the construction of an alternative education center.

In 2012, the District refunded the remaining outstanding balance of the 2001 COP totaling \$8,195,000. The agreement dated March 1, 2012, is between the District as the "lessee" and the California School Boards Association Finance Corporation as the "lessor" or "Corporation". The California School Boards Association Finance Corporation is a legally separate entity which was formed for the sole purpose of acquiring equipment and capital outlay and then leasing such items to the District.

The Corporation's funds for the refunding were generated by the issuance of \$7,525,000 of Certificates of Participation (COPs). COPs are long-term debt instruments which are tax exempt and therefore issued at interest rates below current market levels for taxable investments.

Lease Payments - Lease payments are required to be made by the District under the lease agreement each May and November for use and possession of the equipment for the period commencing November 2012 and terminating May 2031. Lease payments will be funded in part from the proceeds of the Certificates. Interest rate is 3.75 percent for the length of the issuance.



**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

The certificates mature through 2031, as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 360,000	\$ 201,187	\$ 561,187
2021	375,000	187,688	562,688
2022	390,000	173,625	563,625
2023	405,000	159,000	564,000
2024	420,000	143,812	563,812
2025-2029	2,345,000	471,000	2,816,000
2030-2031	1,070,000	60,563	1,130,563
Total	<u>\$ 5,365,000</u>	<u>\$ 1,396,875</u>	<u>\$ 6,761,875</u>

**Compensated Absences**

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$554,889.

**Claremont Unified School District PARS Supplementary Early Retirement Plan**

On March 17, 2017, the District elected to provide a voluntary early retirement program for qualified employees. The District will fund a supplemental benefit for each participant in the form of five annual employer contributions into an Annuity Contract held at Pacific life Insurance Company. The sum of the contribution shall equal forty percent (40%) of the participant's final pay. Each participate has various option to elect from.

The terms of the retirement incentive is that the employee is a certificated non-management, certificated management, classified non-management, or classified management employee as of March 16, 2017. The first payment the employee must be at least fifty five (55) with five (5) or more years of service with the employer as of June 30, 2017; and has resigned from employment with the employer effective after the completion of the 2016-2017 school year on or before June 30, 2017; and applied for benefits under this addendum.

Future payments are as follows:

Year Ending June 30,	Total
2020	\$ 198,263
2021	198,263
2022	198,263
Total	<u>\$ 594,789</u>

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**Aggregate Net Other Postemployment Benefits (OPEB) Liability**

For the fiscal year ended June 30, 2019, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 17,723,094	\$ 678,770	\$ 331,675	\$ 1,265,024
Medicare Premium Payment (MPP) Program	433,197	-	-	(32,122)
Total	<u>\$ 18,156,291</u>	<u>\$ 678,770</u>	<u>\$ 331,675</u>	<u>\$ 1,232,902</u>

The details of each plan are as follows:

**District Plan**

**Plan Administration**

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

*Plan Membership*

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

Inactive employees or beneficiaries currently receiving benefits payments	59
Active employees	658
	<u>717</u>

*Benefits Provided*

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

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District paid \$595,327 in benefits.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Total OPEB Liability of the District

The District's total OPEB liability of \$17,723,094 was measured as of June 30, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2017.

#### Actuarial Assumptions

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

Inflation	2.75 percent
Salary increases	2.75 percent
Discount rate	3.80 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study as of October 2018.

### Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 16,674,180
Service cost	1,356,429
Interest	648,080
Changes of assumptions	(360,268)
Benefit payments	(595,327)
Net change in total OPEB liability	<u>1,048,914</u>
Balance at June 30, 2018	<u>\$ 17,723,094</u>

There were no changes in the benefit terms since the previous valuation.

The plan rate of investment return assumption was changed from 3.50 percent to 3.80 percent since the previous valuation.

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.80%)	\$ 18,809,989
Current discount rate (3.80%)	17,723,094
1% increase (4.80%)	16,675,637

*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:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3.00%)	\$ 16,724,699
Current healthcare cost trend rate (4.00%)	17,723,094
1% increase (5.00%)	18,759,805

**OPEB Expense, Deferred Outflows of Resources Related to OPEB, and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,265,024. At June 30, 2019, the District reported deferred outflows of resources for the amount paid by the District for OPEB as the benefits come due subsequent to the measurement date of \$678,770. At June 30, 2019, the District reported deferred inflows of resources for changes of assumptions of 331,675.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 678,770	\$ -
Changes of assumptions	-	331,675
Total	<u>\$ 678,770</u>	<u>\$ 331,675</u>

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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Amounts reported as deferred inflows of resources and related to the changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 12.6 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2019	\$ (28,593)
2020	(28,593)
2021	(28,593)
2022	(28,593)
2023	(28,593)
Thereafter	(188,710)
	<u>\$ (331,675)</u>

### **Medicare Premium Payment (MPP) Program**

#### **Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

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

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

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

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$433,197 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.1132 percent and 0.1106 percent, resulting in a net increase in the proportionate share of 0.0026 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(32,122).

### Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	\$ 479,138
Current discount rate (3.87%)	433,197
1% increase (4.87%)	391,716

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 395,032
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	433,197
1% increase (4.7% Part A and 5.1% Part B)	474,243

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

### NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
Revolving cash	\$ 19,000	\$ -	\$ -	\$ -	\$ -	\$ 19,000
Stores inventories	-	-	-	-	45,871	45,871
Prepaid expenditures	11,960	16,000	-	-	-	27,960
Total Nonspendable	<u>30,960</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>45,871</u>	<u>92,831</u>
<b>Restricted</b>						
Legally restricted programs	548,230	-	-	-	1,032,101	1,580,331
Capital projects	-	22,779,707	1,485,326	-	1,755,212	26,020,245
Debt services	-	-	-	7,866,074	-	7,866,074
Total Restricted	<u>548,230</u>	<u>22,779,707</u>	<u>1,485,326</u>	<u>7,866,074</u>	<u>2,787,313</u>	<u>35,466,650</u>
<b>Assigned</b>						
CTIP Regional	30,378	-	-	-	-	30,378
ROP	20,227	-	-	-	-	20,227
Site supplemental	40,351	-	-	-	-	40,351
Resource allocation	132,159	-	-	-	-	132,159
Site discretionary funds	93,217	-	-	-	-	93,217
Claremont Educational Foundation	8,831	-	-	-	-	8,831
CHS Athletics	853	-	-	-	-	853
STRS/PERS	100,000	-	-	-	-	100,000
Textbook adoption	100,000	-	-	-	-	100,000
Technology	100,000	-	-	-	-	100,000
Adult School Impacts (3 years)	566,389	-	-	-	-	566,389
Site Transportation	300,000	-	-	-	-	300,000
Capital projects	-	-	4,931,278	-	-	4,931,278
Total Assigned	<u>1,492,405</u>	<u>-</u>	<u>4,931,278</u>	<u>-</u>	<u>-</u>	<u>6,423,683</u>
<b>Unassigned</b>						
Reserve for economic uncertainties	2,462,895	-	-	-	-	2,462,895
Remaining unassigned	5,937,343	-	-	-	-	5,937,343
Total Unassigned	<u>8,400,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,400,238</u>
Total	<u>\$ 10,471,833</u>	<u>\$ 22,795,707</u>	<u>\$ 6,416,604</u>	<u>\$ 7,866,074</u>	<u>\$ 2,833,184</u>	<u>\$ 50,383,402</u>



# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance for property damage with coverage up to a maximum of \$300 million, subject to various policy sublimits generally ranging from \$1 million to \$50 million and deductibles ranging from \$25,000 to \$300,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence and \$2 million aggregate, with excess liability coverage over \$25 million, all subject to various deductibles up to \$20,000 per occurrence and per employee policy limit, subject to a deductible of \$100,000 per occurrence per claim, up to a maximum of \$1.5 million for 2009. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

#### **Property and Liability**

The District's risk management activities are recorded in the General and Self-Insurance Funds. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in the Valley Insurance Programs (VIP) public entity risk pool (VIP), a joint powers authority (JPA), for the workers' compensation program and purchases excess liability coverage through the JPA. The Property and Liability Program is obtained through the Alliance of Schools for Cooperative Insurance Programs (ASCIP). Excess property and liability coverage is obtained through School Excess Liability Fund (SELF). Refer to Note 14 for additional information regarding the JPAs.

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

#### **Workers' Compensation**

For fiscal year 2019, the District participated in the Valley Insurance Program (VIP) JPA. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation or "risk pooling" with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as a whole, and this combined rate is later modified by each district's individual claims experience. The JPA's actuarial auditor does an annual study to determine individual district losses, subject to a weighting formula (size and premiums paid), in comparison to the total loss experience of the JPA to arrive at the final composite rate for each member district.

#### **Employee Medical Benefits**

The District has contracted with California Schools VEBA to provide employee health benefits. VEBA is a Trust that is comprised of more than 60 school districts and 120,000 members. The geographic area includes San Diego County, Los Angeles County, Orange County, Riverside County, and San Bernardino County. Rates are set through an annual calculation process. The District remits premiums tenthly (October - July) upon receipt of an invoice. Invoices reflect current premium rates for each participating employee based on a TIERED rate structure (i.e. Single, Two Party, Family).

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

The District allocates a specific dollar amount that is negotiated with the bargaining units to the health and welfare benefits pool per Full Time Equivalent (FTE). In 2019, the dollar amount was \$9,752 per FTE. Any funds of allocation left over may be utilized to purchase additional benefits or held in reserve for the following year for benefits at the discretion of the Shared Decision Making Benefits Committee.

**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, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 57,950,653	\$ 18,406,050	\$ 6,641,198	\$ 7,116,357
CalPERS	26,048,333	6,995,970	1,382,514	4,625,240
Total	\$ 83,998,986	\$ 25,402,020	\$ 8,023,712	\$ 11,741,597

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:  
<http://www.calstrs.com/member-publications>.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### 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, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were \$5,715,228.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 57,950,653
State's proportionate share of net pension liability associated with the District	33,179,459
Total	<u>\$ 91,130,112</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.0631 percent and 0.0611 percent, respectively, resulting in a net increase in the proportionate share of 0.0020 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$7,116,357. In addition, the District recognized pension expense and revenue of \$3,897,838 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 5,715,228	\$ -
Net change in proportionate share of net pension liability	3,508,329	3,567,966
Differences between projected and actual earnings on the pension plan investments	-	2,231,467
Differences between expected and actual experience in the measurement of the total pension liability	179,703	841,765
Changes of assumptions	9,002,790	-
Total	<u>\$ 18,406,050</u>	<u>\$ 6,641,198</u>

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

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 484,513
2021	(351,577)
2022	(1,872,113)
2023	(492,290)
Total	<u>\$ (2,231,467)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (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
2020	\$ 1,805,388
2021	1,805,388
2022	1,805,387
2023	1,197,554
2024	1,454,355
Thereafter	213,019
Total	<u>\$ 8,281,091</u>

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

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

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 84,890,926
Current discount rate (7.10%)	57,950,653
1% increase (8.10%)	35,614,553

### California Public Employees Retirement System (CalPERS)

#### Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. 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>.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers 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, 2019, are presented above and the total District contributions were \$2,439,639.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$26,048,333. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.0977 percent and 0.1042 percent, respectively, resulting in a net decrease in the proportionate share of 0.0065 percent.



**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

For the year ended June 30, 2019, the District recognized pension expense of \$4,625,240. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,439,639	\$ -
Net change in proportionate share of net pension liability	34,233	1,382,514
Differences between projected and actual earnings on the pension plan investments	213,654	-
Differences between expected and actual experience in the measurement of the total pension liability	1,707,633	-
Changes of assumptions	2,600,811	-
Total	<u>\$ 6,995,970</u>	<u>\$ 1,382,514</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2020	\$ 777,108
2021	185,838
2022	(595,545)
2023	(153,747)
Total	<u>\$ 213,654</u>

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,415,738
2021	1,291,303
2022	253,122
Total	<u>\$ 2,960,163</u>

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

### Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 37,925,128
Current discount rate (7.15%)	26,048,333
1% increase (8.15%)	16,194,832

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**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 \$3,062,262 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves and in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule* and *Schedule of Financial Trends and Analysis*.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Modular Replacement Project	\$ 3,097,722	January 2020
El Roble Intermediate School - Pool and Locker Room Project	2,687,245	June 2020
Claremont High School - Pool and Locker Room Project	5,483,858	June 2020
Claremont High School - Student Center and Kitchen Project	11,580,735	June 2021
Claremont High School - Music Building	1,567,627	June 2022
	\$ 24,417,187	

**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2019**

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### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

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

The Claremont Unified School District participates in four joint powers agreement (JPA) entities, the Alliance of Schools for Cooperative Insurance Programs (ASCIP), the School Excess Liability Fund (SELF), Valley Insurance Programs (VIP) and the Baldy View Regional Occupational Program (BVROP). The District pays an annual premium to the applicable entity for health, workers' compensation, and property liability coverage.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards. The District has appointed two board members to the Governing Board of BVROP.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity. The District has appointed two board members to the Governing Board of BVROP.

During the year ended June 30, 2019, the District made payments of \$62,281, \$1,176,430, \$636,147, and \$380,354, to SELF, VIP, BVROP, and ASCIP, respectively.



**REQUIRED SUPPLEMENTARY INFORMATION**

**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 61,753,465	\$ 62,393,579	\$ 62,389,931	\$ (3,648)
Federal sources	2,402,278	2,973,657	2,957,553	(16,104)
Other State sources	4,651,088	6,480,622	10,231,828	3,751,206
Other local sources	8,146,973	8,476,241	10,053,297	1,577,056
<b>Total Revenues <sup>1</sup></b>	<b>76,953,804</b>	<b>80,324,099</b>	<b>85,632,609</b>	<b>5,308,510</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	34,076,266	34,897,296	34,867,449	29,847
Classified salaries	11,499,144	12,009,757	11,622,053	387,704
Employee benefits	16,750,726	19,930,141	22,780,140	(2,849,999)
Books and supplies	2,221,385	2,926,836	2,926,836	-
Services and operating expenditures	8,538,756	9,573,770	8,237,410	1,336,360
Other outgo	1,542,774	1,827,413	1,762,817	64,596
Capital outlay	137,000	195,212	195,212	-
<b>Total Expenditures <sup>1</sup></b>	<b>74,766,051</b>	<b>81,360,425</b>	<b>82,391,917</b>	<b>(1,031,492)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,187,753</b>	<b>(1,036,326)</b>	<b>3,240,692</b>	<b>4,277,018</b>
<b>Other Financing Uses</b>				
Transfers out	(1,404,817)	(1,404,817)	(1,469,411)	(64,594)
<b>NET CHANGE IN FUND BALANCES</b>	<b>782,936</b>	<b>(2,441,143)</b>	<b>1,771,281</b>	<b>4,212,424</b>
<b>Fund Balance - Beginning</b>	<b>8,700,552</b>	<b>8,700,552</b>	<b>8,700,552</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 9,483,488</b>	<b>\$ 6,259,409</b>	<b>\$ 10,471,833</b>	<b>\$ 4,212,424</b>

<sup>1</sup> On behalf payments of \$3,110,658 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
<b>Total OPEB Liability</b>		
Service cost	\$ 1,356,429	\$ 1,271,504
Interest	648,080	550,457
Changes of assumptions	(360,268)	-
Benefit payments	(595,327)	(521,138)
<b>Net change in total OPEB liability</b>	1,048,914	1,300,823
<b>Total OPEB liability - beginning</b>	16,674,180	15,373,357
<b>Total OPEB liability - ending (a)</b>	<u>\$ 17,723,094</u>	<u>\$ 16,674,180</u>
<b>Covered payroll</b>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
<b>District's total OPEB liability as a percentage of covered payroll</b>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>

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

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

See accompanying note to required supplementary information.



**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

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Year ended June 30,	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.1132%</u>	<u>0.1106%</u>
District's proportionate share of the net OPEB liability	<u>\$ 433,197</u>	<u>\$ 465,319</u>
District's covered-employee payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>-0.40%</u>	<u>0.01%</u>

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

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

See accompanying note to required supplementary information.

**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.0631%</u>	<u>0.0611%</u>
District's proportionate share of the net pension liability	\$ 57,950,653	\$ 56,498,475
State's proportionate share of the net pension liability associated with the District	<u>33,179,459</u>	<u>33,424,020</u>
Total	<u>\$ 91,130,112</u>	<u>\$ 89,922,495</u>
District's covered-employee payroll	<u>\$ 34,190,270</u>	<u>\$ 33,139,690</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>169.49%</u>	<u>170.49%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.0977%</u>	<u>0.1042%</u>
District's proportionate share of the net pension liability	<u>\$ 26,048,333</u>	<u>\$ 24,878,045</u>
District's covered-employee payroll	<u>\$ 12,888,893</u>	<u>\$ 12,199,647</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>202.10%</u>	<u>203.92%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

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

See accompanying note to required supplementary information.

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<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.0665%</u>	<u>0.0678%</u>	<u>0.0610%</u>
\$ 53,821,499	\$ 45,743,714	\$ 35,625,427
<u>30,639,619</u>	<u>24,193,382</u>	<u>21,512,171</u>
<u>\$ 84,461,118</u>	<u>\$ 69,937,096</u>	<u>\$ 57,137,598</u>
<u>\$ 33,634,529</u>	<u>\$ 29,368,345</u>	<u>\$ 31,611,018</u>
<u>160.02%</u>	<u>155.76%</u>	<u>112.70%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.1098%</u>	<u>0.1088%</u>	<u>0.1047%</u>
\$ 21,683,958	\$ 16,040,586	\$ 11,890,758
\$ 13,597,687	\$ 11,581,990	\$ 11,915,775
<u>159.47%</u>	<u>138.50%</u>	<u>99.79%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 5,715,228	\$ 4,933,656
Contributions in relation to the contractually required contribution	<u>5,715,228</u>	<u>4,933,656</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 35,105,823</u>	<u>\$ 34,190,270</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>
<b>CalPERS</b>		
Contractually required contribution	\$ 2,439,639	\$ 2,001,774
Contributions in relation to the contractually required contribution	<u>2,439,639</u>	<u>2,001,774</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 13,507,026</u>	<u>\$ 12,888,893</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>

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

See accompanying note to required supplementary information.

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2017	2016	2015
\$ 4,168,973	\$ 3,608,985	\$ 2,607,909
4,168,973	3,608,985	2,607,909
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 33,139,690	\$ 33,634,529	\$ 29,368,345
<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
\$ 1,694,287	\$ 1,610,918	\$ 1,363,403
1,694,287	1,610,918	1,363,403
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 12,199,647	\$ 13,597,687	\$ 11,581,990
<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Budgetary Comparison Schedule

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

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

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

At June 30, 2019 the District's General Fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	\$ 82,765,242	\$ 83,861,328	\$ 1,096,086

\* On behalf payments of \$3,110,658 relating to Senate Bill 90 are included in the actuals but are not included in the budgeted amounts.

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

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

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

**Changes of Assumptions** - The plan rate of investment return assumption was changed from 3.50 percent to 3.80 percent since the previous valuation.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### **Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

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

*Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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

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

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

*Changes of Assumptions* - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

### **Schedule of District Contributions**

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



**SUPPLEMENTARY INFORMATION**



# CLAREMONT UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 709,375
Title II, Part A, Supporting Effective Instruction	84.367	14341	182,667
Title III, English Learner Student Program	84.365	14346	28,326
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	27,616
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	35,575
Adult Education: Adult Basic Education & ELA	84.002A	14508	127,660
Adult Education: Adult Secondary Education	84.002	13978	34,100
Special Education Cluster (IDEA):			
Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,380,820
Special Education: IDEA Preschool Grants, Part B, Section 619	84.173	13430	29,225
Special Education: IDEA Preschool Staff Development, Part B, Section 619	84.173A	13431	208
Special Education: IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	<u>46,530</u>
Subtotal Special Education (IDEA) Cluster			<u>1,456,783</u>
U.S. Department of Education Total			<u>2,602,102</u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Care Services			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	428,866
Medi-Cal Administrative Activities (MAA)	93.778	10060	2,947
Subtotal Medicaid Cluster			<u>431,813</u>
U.S. Department of Health and Human Services Total			<u>431,813</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education (CDE)			
Child Nutrition Cluster			
Child Nutrition: School Programs (NSL Sec 11)	10.555	13396	900,514
Child Nutrition: School Programs (School Breakfast Needy)	10.553	13526	159,171
Child Nutrition: School Programs (Basic Breakfast)	10.553	13525	31,103
Child Nutrition: Summer Food Service Program Operations	10.559	13004	25,266
Child Nutrition: After School Supplemental Program	10.555	13396	32,405
Commodities	10.555	13396	<u>85,413</u>
Subtotal Child Nutrition Cluster			<u>1,233,872</u>
Passed through Los Angeles County Office of Education			
Forest Reserve	10.665	[1]	<u>7,467</u>
U.S. Department of Agriculture Total			<u>1,241,339</u>
Total Expenditure of Federal Awards			<u>\$ 4,275,254</u>

[1] Pass-Through Entity Identifying Number is unavailable

See accompanying note to supplementary information.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

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### ORGANIZATION

The Claremont Unified School District was established on July 1, 1936, and consists of an area comprising approximately 14.5 square miles. The District operates seven elementary schools, one intermediate school, one high school, one continuation high school, one community day school, and one adult education school. In addition, classes for orthopedically handicapped pupils (preschool through grade six) are maintained at Danbury Elementary School. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Hilary LaConte	President	November 2020
Beth Bingham, D. Min.	Vice President	November 2020
Nancy Treser Osgood	Clerk	November 2022
David S. Nemer	Member	November 2022
Steven Llanusa	Member	November 2022

### ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
James Elsasser, Ed.D.	Superintendent
Brad Cuff	Assistant Superintendent, Student Services
Julie Olesniewicz, Ed.D.	Assistant Superintendent, Educational Services
Lisa Shoemaker	Assistant Superintendent, Business Services
Kevin Ward	Assistant Superintendent, Human Resources
Rick Cota	Executive Director, Facilities and Project Management
Karen Waltman	Executive Director, Fiscal Services
Kristin Robinson	Director III, Nutrition Services
Hilarie Dyson, Ed.D.	Director II, Child Development
Amber Verdi	Director IV, Special Education
Damon Rapp	Director III, Technology Support
June Hilton, Ph.D.	Director III, Educational Services
Natalie Taylor	Director III, Intervention and English Learner Programs

See accompanying note to supplementary information.

**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

	Final Report	
	Revised Second Period Report*	Annual Report
Regular ADA		
Transitional kindergarten through third	1,799.70	1,800.29
Fourth through sixth	1,437.08	1,436.00
Seventh and eighth	1,086.45	1,083.75
Ninth through twelfth	2,317.06	2,297.76
Total Regular ADA	<u>6,640.29</u>	<u>6,617.80</u>
Extended Year Special Education		
Transitional kindergarten through third	3.22	3.22
Fourth through sixth	4.68	4.68
Seventh and eighth	2.95	2.95
Ninth through twelfth	3.64	3.64
Total Extended Year Special Education	<u>14.49</u>	<u>14.49</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.86	1.49
Fourth through sixth	0.60	0.75
Seventh and eighth	1.04	1.33
Ninth through twelfth	5.50	6.82
Total Special Education, Nonpublic, Nonsectarian Schools	<u>8.00</u>	<u>10.39</u>
Extended Year Special Education - Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.19	0.19
Fourth through sixth	0.07	0.07
Seventh and eighth	0.10	0.10
Ninth through twelfth	0.67	0.67
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>1.03</u>	<u>1.03</u>
Community Day School		
Seventh and eighth	4.42	5.12
Ninth through twelfth	10.30	11.01
Total Community Day School	<u>14.72</u>	<u>16.13</u>
Total ADA	<u><u>6,678.53</u></u>	<u><u>6,659.84</u></u>

\* The District amended the Second Period on July 1, 2019.

See accompanying note to supplementary information.

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	1986-87	2018-19	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	37,800	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		51,550	180	N/A	Complied
Grade 2		51,550	180	N/A	Complied
Grade 3		51,550	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,000	180	N/A	Complied
Grade 5		54,000	180	N/A	Complied
Grade 6		54,000	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		56,828	180	N/A	Complied
Grade 8		56,828	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,110	180	N/A	Complied
Grade 10		65,110	180	N/A	Complied
Grade 11		65,110	180	N/A	Complied
Grade 12		65,110	180	N/A	Complied

See accompanying note to supplementary information.

**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

	(Budget) 2020 <sup>1</sup>	2019	2018	2017
<b>GENERAL FUND</b>				
Revenues	\$ 79,825,102	\$ 85,632,609	\$ 73,136,054	\$ 75,626,278
Expenditures	80,280,760	82,391,917	75,357,625	73,606,727
Other uses and transfers out	1,356,817	1,469,411	1,193,593	1,662,353
Total Expenditures and Other Uses	81,637,577	83,861,328	76,551,218	75,269,080
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	\$ (1,812,475)	\$ 1,771,281	\$ (3,415,164)	\$ 357,198
<b>ENDING FUND BALANCE</b>	\$ 8,659,358	\$ 10,471,833	\$ 8,700,552	\$ 9,115,716
<b>AVAILABLE RESERVES <sup>2</sup></b>	\$ 6,674,372	\$ 8,400,238	\$ 7,584,686	\$ 3,234,470
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>4</sup></b>	8.18%	10.40%	9.91%	4.30%
<b>LONG-TERM OBLIGATIONS <sup>3</sup></b>	N/A	\$ 106,938,339	\$ 86,277,333	\$ 88,383,255
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	6,611	6,679	6,812	6,800

The General Fund balance has increased by \$1,356,117 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$1,812,475 (17.31 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 surpluses in two of the past three years, and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased \$18,555,084 over the past two years.

Average daily attendance has decreased by 121 over the past two years. A decline of 68 ADA is anticipated during fiscal year 2019-2020.

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

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> Long-term obligations have been restated as of June 30, 2017 due to the implementation of GASB Statement No. 75.

<sup>4</sup> On behalf payments of \$3,110,658 relating to Senate Bill 90 have been excluded from the calculation available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

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**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ (53,309)	\$ 1,069,704	\$ 124,677
Receivables	166,615	53,821	367,926
Due from other funds	-	-	128,828
Stores inventories	-	-	45,871
<b>Total Assets</b>	<b>\$ 113,306</b>	<b>\$ 1,123,525</b>	<b>\$ 667,302</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 63,148	\$ 148,299	\$ 48,745
Due to other funds	-	-	482,799
Unearned revenue	-	22,325	60,845
<b>Total Liabilities</b>	<b>63,148</b>	<b>170,624</b>	<b>592,389</b>
<b>Fund Balances:</b>			
Nonspendable	-	-	45,871
Restricted	50,158	952,901	29,042
<b>Total Fund Balances</b>	<b>50,158</b>	<b>952,901</b>	<b>74,913</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 113,306</b>	<b>\$ 1,123,525</b>	<b>\$ 667,302</b>

See accompanying note to supplementary information.



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<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 1,744,368	\$ 127,488	\$ 3,012,928
12,006	698	601,066
-	-	128,828
-	-	45,871
<u>\$ 1,756,374</u>	<u>\$ 128,186</u>	<u>\$ 3,788,693</u>

\$ 129,348	\$ -	\$ 389,540
-	-	482,799
-	-	83,170
<u>129,348</u>	<u>-</u>	<u>955,509</u>

-	-	45,871
1,627,026	128,186	2,787,313
<u>1,627,026</u>	<u>128,186</u>	<u>2,833,184</u>

<u>\$ 1,756,374</u>	<u>\$ 128,186</u>	<u>\$ 3,788,693</u>
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**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>
<b>REVENUES</b>			
Federal sources	\$ 161,760	\$ -	\$ 1,233,872
Other State sources	908,399	481,318	94,469
Other local sources	56,230	2,194,458	931,334
<b>Total Revenues</b>	<u>1,126,389</u>	<u>2,675,776</u>	<u>2,259,675</u>
<b>EXPENDITURES</b>			
Current			
Instruction	557,218	1,616,375	-
Instruction-related activities:			
Supervision of instruction	-	1,629	-
Instructional library, media, and technology	145,890	-	-
School site administration	413,821	421,056	-
Pupil services:			
Food services	-	43,348	2,905,318
All other pupil services	1,147	26,051	-
Administration:			
All other administration	43,412	105,380	-
Plant services	129,282	84,828	-
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<u>1,290,770</u>	<u>2,298,667</u>	<u>2,905,318</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(164,381)</u>	<u>377,109</u>	<u>(645,643)</u>
<b>Other Financing Sources</b>			
Transfers in	-	-	558,828
<b>NET CHANGE IN FUND BALANCES</b>	<u>(164,381)</u>	<u>377,109</u>	<u>(86,815)</u>
<b>Fund Balance - Beginning</b>	214,539	575,792	161,728
<b>Fund Balance - Ending</b>	<u>\$ 50,158</u>	<u>\$ 952,901</u>	<u>\$ 74,913</u>

See accompanying note to supplementary information.

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<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 1,395,632
-	-	1,484,186
1,665,176	2,631	4,849,829
<u>1,665,176</u>	<u>2,631</u>	<u>7,729,647</u>
-	-	2,173,593
-	-	1,629
-	-	145,890
-	-	834,877
-	-	2,948,666
-	-	27,198
-	-	148,792
1,771,481	-	1,985,591
98,148	-	98,148
350,000	-	350,000
214,313	-	214,313
<u>2,433,942</u>	<u>-</u>	<u>8,928,697</u>
<u>(768,766)</u>	<u>2,631</u>	<u>(1,199,050)</u>
<u>826,817</u>	<u>-</u>	<u>1,385,645</u>
58,051	2,631	186,595
1,568,975	125,555	2,646,589
<u>\$ 1,627,026</u>	<u>\$ 128,186</u>	<u>\$ 2,833,184</u>

**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

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**NOTE 1 - PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option and Medi-Cal Administrative Activities (MAA) funds that have been recorded in the current fiscal year as revenue but have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues Reported From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 4,353,185
Medi-Cal Billing Option	93.778	(31,701)
Medi-Cal Administrative Activities (MAA)	93.778	(46,230)
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,275,254</u>

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

**Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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**



**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  
Claremont Unified School District  
Claremont, 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 Claremont Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 the District in a separate letter dated December 12, 2019.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California  
December 12, 2019





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board  
Claremont Unified School District  
Claremont, California

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

We have audited Claremont 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 the District's major Federal programs for the year ended June 30, 2019. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***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 the 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 the 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 the District's compliance.

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

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

## Report on Internal Control over Compliance

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California  
December 12, 2019



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Claremont Unified School District  
Claremont, California

### **Report on State Compliance**

We have audited Claremont Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2019.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the 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 the District's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
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
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	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 over Independent Study because ADA for this program was below the materiality threshold as indicated in the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not offer a Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School 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 District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not have Independent Study – Course Based Program; therefore, we did not perform any related procedures.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

*Eide Sully LLP*

Rancho Cucamonga, California  
December 12, 2019



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

**CLAREMONT UNIFIED SCHOOL DISTRICT**

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

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**CLAREMONT UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.



**CLAREMONT UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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None reported.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

### *Financial Statement Findings*

None reported.

### *Federal Awards Findings*

**2018-001      50000**

#### **Federal Program Affected**

Program Name: Child Nutrition Cluster  
CFDA Number: 10.553, 10.555, 10.559  
Passed through from California Department of Education  
Federal Agency: U.S. Department of Agriculture

#### **Compliance Requirement**

Eligibility

#### **Criteria or Specific Requirements**

7 CFR Section 245.6(c)(4) states that the local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in Section 245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in Section 245.2, the children in that household must be approved for free or reduced price benefits, as applicable.

#### **Condition**

The District was not in compliance with the requirements of 7 CFR Section 245.6(c)(4). The District had determined incorrect eligibility status for 10 out of 1,078 meal applications. Two applications were denied benefits when they should have qualified for reduce priced meals. Three applications were classified as free when they should have qualified for reduce priced meals. Four applications were classified as reduced when they qualified for free meals. One application was classified as reduced when they should not have qualified for benefits.

#### **Questioned Costs**

There were no direct questioned costs associated with the condition identified.

#### **Context**

The condition was identified as a result of the auditor's review of a sample of meal applications submitted by households. An audit of 100 percent of the meal applications was then performed.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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### **Effect**

The eligibility determination process is a direct and material compliance requirements that the District must adhere to. The District is noncompliant with the requirements identified in 7 CFR Section 245.6(c)(4).

### **Cause**

The cause of the condition identified appears to be a result of a lack of review of the eligibility determinations over the meal applications.

**Repeat Finding:** No

### **Recommendation**

The District should ensure that it performs the eligibility determination in accordance with 7 CFR Section 245.6(c)(4). To prevent future noncompliance, the District should implement a review process of eligibility status determination for all applications processed each year.

### **Current Status**

Implemented.

### *State Awards Findings*

#### **Instructional Time**

**2018-002      40000**

#### **Criteria or Specific Requirements**

In accordance with *Education Code* Section 46201(b)(6)(A)1, a school district must offer minimum annual instructional minutes by grade level in order to receive longer year incentive funding. For the 2017-2018 fiscal year specifically for Transitional Kindergarten (TK), the minimum annual instructional minutes that must be offered is 36,000.

#### **Condition**

The District did not provide the required minimum annual instructional minutes for transitional kindergarten at Sumner Elementary School. As a result, the site was 3,600 minutes short of the minimum annual requirements.

# CLAREMONT UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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### Questioned Costs

Using the California Department of Education's "Estimating the Cost of an Instructional Time Audit Penalty" worksheet for the 2017-2018 fiscal year, the penalty calculation is as follows:

ADA for grade levels affected (all TK ADA as reported on the Amended Second Period Report of Attendance) - 69.24 ADA

Derived Value of ADA - \$7,845.57

Minutes noncompliant - 3,600

Calculation -  $69.24 \times 7,845.57 \times 3,600 / 36,000 = \$54,323$  estimated penalty

### Context

Sumner Elementary School did not meet the minimum instructional minutes requirement per *Education Code* Section 46200.

### Effect

As a result of the condition identified, the District did not comply with *Education Code* Section 46200 and could be penalized by the State for a total of \$54,323.

### Cause

The cause of the condition identified appears to be a result of lack of understanding and review of the minimum requirement for instructional minutes for Transitional Kindergarten.

### Recommendation

It is recommended the District revise the instructional minutes review procedures to include a more in depth review of the calculations submitted by the sites.

### Current Status

Implemented.



Management  
Claremont Unified School District  
Claremont, California

In planning and performing our audit of the financial statements of Claremont Unified School District (the District) for the year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 12, 2019, on the financial statements of the District.

***Claremont High School - Associated Student Body (ASB)***

**Comment**

The following deficiencies were noted during the audit of the ASB at the site:

- While testing deposits at the ASB, it was noted there was a lack of supporting documentation for club collections. There was no evidence to support what the cash was for.
- It was also noted that there was a lack of evidence of dual cash counts. Although the ASB Office Manager and ASB Clerk perform a dual cash count when preparing deposits, there was no evidence to support this.
- Out of the 25 disbursements tested, one did not have the three proper approvals. The ASB treasurer's approval was missing from the requisition form.
- When reviewing the ASB minutes, it was unclear as to which checks were being approved. There were listings of checks, however it was hard to determine when they were approved in the ASB minutes. There was also a lack of evidence of fundraisers being approved in the ASB minutes.
- For all three ticketed events tested, the ticket sales forms were not completely filled out. The forms were missing the start change issued, the total overage/shortage (if any), and the cashier's verification of cash counts.
- Twelve days of student store sales were tested. It was noted that the deposit forms only documented the cash collected. There was no evidence of the student store's sales for that day. However, the students do fill out a form each day documenting the items sold and the total sales; it is not included with the deposits.
- When observing the petty cash count, it was noted there was \$262.67 on hand. The imprest balance per the ASB balance sheet is \$250. The difference is due to change that had not been included in deposits.

### **Recommendation**

It is recommended that the club provide the ASB office documentation of what the cash was collected for when depositing funds. It is recommended that the ASB Office Manager and ASB Clerk initial the ASB Deposit Form after performing the dual cash counts. It is recommended that the requisition has evidence of all three approvals prior to the check being signed. It is recommended the ASB minutes include a stapled listing of checks that were approved or an appropriate description of what checks were approved. It is recommended that the ASB minutes include a description of approved fundraisers or a stapled listing of approved fundraisers. It is recommended the ticket sales forms are properly filled out to ensure the cash collected and sales for the event are properly accounted for. It is recommended this sales form be included with the deposit form to support the daily deposit for the sales. It is recommended that the petty cash is reconciled to the imprest balance.

### **District Response**

Clubs are required to complete a deposit slip for all cash collected. Staff verifies the deposit slips include the name of the individual submitting the deposit slip and require documentation showing what the cash was collected for when depositing the funds. The ASB Office Manager and the ASB Account Clerk now sign the deposit slips after performing the dual cash counts. The ASB Office Manager implemented changes in the new fiscal year so all fundraiser requests and a listing of checks are filed with the approved ASB minutes in an organized folder instead of being filed separately. Start change is listed on all ticketed event deposit documentation and staff verify the forms are properly completed. All store deposits now include the daily sales tally. Change in the student store drawer will be deposited timely to ensure the petty cash is reconciled to the imprest balance.

### ***El Roble Middle School - Associated Student Body (ASB)***

#### **Observation**

Out of the 15 disbursements tested, three did not have the three required approvals. The disbursements were approved by two individuals; the ASB/club advisor and the ASB/club treasurer.

#### **Recommendation**

Three required signatures are a requirement per *Education Code* section 4893(b). In these cases, it is recommended that another approved individual also approve the requisitions.

#### **District Response**

Staff implemented changes beginning with fiscal year 2019/2020. All ASB requisitions and disbursements are now signed by an administrator in order to ensure 3 signatures as required by *Education Code* section 4893(b).

We appreciate the time and assistance the staff of the District Business Office provided during our audit. We will follow up on each of the areas noted above during the early stage of our fieldwork for the 2019-2020 fiscal year.

Management  
Claremont Unified School District

This report is intended solely for the information and use of the Governing Board, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 12, 2019





**UNAUDITED ADDITIONAL SUPPLEMENTARY INFORMATION**

**CLAREMONT UNIFIED SCHOOL DISTRICT**

**CONTINUING DISCLOSURE INFORMATION (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

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<b>Assessed valuation as of August 7, 2019</b>	<u>\$ 6,211,980,747</u>		
<b>Secured Valuations:</b>			
Land	\$ 3,334,782,526		
Improvements	3,760,911,564		
Personal Property	71,865,146		
Less: Exemptions	<u>(1,027,247,555)</u>		
Total - Locally Assessed	6,140,311,681		
Public Utility: Land	143,750		
Total Secured Valuations	<u>\$ 6,140,455,431</u>		
<b>Unsecured Valuations:</b>			
Improvements	\$ 31,861,519		
Personal Property	47,257,436		
Less: Exemptions	<u>(7,593,639)</u>		
Total Unsecured Valuations	<u>\$ 71,525,316</u>		
<b>Grand Total</b>	<u>\$ 6,211,980,747</u>	Total Homeowner Exemption	<u>\$ 44,245,830</u>

Source: Los Angeles County Auditor-Controller's Office

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Claremont Unified School District (the “District”) in connection with the issuance of \$ \_\_\_\_\_ of the District’s Election of 2016 General Obligation Bonds, Series C (collectively, the “Bonds”). The Bonds are being issued pursuant to a resolution of the Board of Education of the District adopted on March 19, 2020 (the “Resolution”). The District covenants and agrees as follows:

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

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

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

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

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

“Financial Obligation” shall mean (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

“Holders” shall mean registered owners of the Bonds.

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

“Official Statement” shall mean the Official Statement dated as of \_\_\_\_\_, 2020 and relating to the Bonds.

“Participating Underwriter” shall mean Piper Sandler & Co. or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

“State” shall mean the State of California.

### SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2019-20 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

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

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

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

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

- (a) State funding received by the District for the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;
- (c) outstanding District indebtedness;
- (d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;
- (e) assessed valuation of taxable property within the District for the current fiscal year; and
- (f) tax delinquencies, to the extent that both the County does not maintain the Teeter Plan with respect to the collection of *ad valorem* taxes to repay the Bonds and the District no longer participates in the California Statewide Delinquent Tax Financing Authority's program to purchase *ad valorem* tax receivables from the District.

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

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

**SECTION 5. Reporting of Significant Events.**

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

- 1. principal and interest payment delinquencies.
- 2. tender offers.
- 3. defeasances.
- 4. rating changes.
- 5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
- 6. unscheduled draws on the debt service reserves reflecting financial difficulties.
- 7. unscheduled draws on credit enhancement reflecting financial difficulties.
- 8. substitution of the credit or liquidity providers or their failure to perform.
- 9. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(10), the event is considered to occur when

any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

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

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled bond calls.
4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
4. release, substitution or sale of property securing repayment of the Bonds.
5. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
6. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.
7. incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the District, any of which affect bondholders.

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

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file

any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: \_\_\_\_\_, 2020

CLAREMONT UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
Authorized Officer



**EXHIBIT A**

**NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of District: CLAREMONT UNIFIED SCHOOL DISTRICT

Name of Bond Issue: Election of 2016 General Obligation Bonds, Series C

Date of Issuance: \_\_\_\_\_, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

CLAREMONT UNIFIED SCHOOL DISTRICT

By \_\_\_\_\_ [form only; no signature required]

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## APPENDIX D

### ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF CLAREMONT AND LOS ANGELES COUNTY

*The following information regarding the City of Claremont (the “City”), and Los Angeles County (the “County”) is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the City or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Bond Counsel.*

#### General

**City of Claremont.** The City is located approximately 30 miles east of downtown Los Angeles. Incorporated in 1907, it operates under the Council-Manager form of government. The governing council consists of five members, who are elected at large to serve staggered four-year terms. The council appoints the City Manager, who in turn appoints the heads of various departments. Comprised of 14.14 square miles, the largest economic enterprises in the City boundaries are educational institutions, as well as automobile retailers and general retail and service establishments.

**Los Angeles County.** Established by an act of the State Legislature on February 18, 1850, the County is one of the original 27 counties of California. With 4,061 square miles, the County borders 70 miles of coast on the Pacific Ocean. Home to 88 incorporated cities and many unincorporated areas, its share of the gross domestic product makes the County’s economy larger than that of most US states. In between the large desert portions of the county — which make up around 40% of its land area — and the heavily urbanized central and southern portions, sit the San Gabriel Mountains, containing the Angeles National Forest. The County is a charter county governed by a five-member elected Board of Supervisors who each serves alternating four-year terms.

#### Population

The following table shows historical population figures for the City, the County and the State of California for the past ten years.

**POPULATION ESTIMATES**  
**2010 through 2019**  
**City of Claremont, Los Angeles County and the State of California**

<u>Year<sup>(1)</sup></u>	<u>City of Claremont</u>	<u>Los Angeles County</u>	<u>State of California</u>
2010	34,930	9,822,121	37,223,900
2011	35,116	9,885,948	37,594,781
2012	35,497	9,972,649	37,971,427
2013	35,820	10,040,960	38,321,459
2014	35,997	10,098,952	38,622,301
2015	36,325	10,155,753	38,952,462
2016	36,364	10,185,851	39,214,803
2017	36,399	10,226,920	39,504,609
2018	36,479	10,254,658	39,740,508
2019	36,511	10,253,716	39,927,315

<sup>(1)</sup> As of January 1.

Source: California Department of Finance.

**Income**

The following table summarizes per capita personal income for the County, the State of California and the United States for the past ten years.

**PER CAPITA PERSONAL INCOME  
2009 through 2018  
Los Angeles County, State of California, and United States**

<b><u>Year</u></b>	<b><u>Los Angeles County</u></b>	<b><u>State of California</u></b>	<b><u>United States</u></b>
2009	\$33,276	\$42,044	\$39,284
2010	34,373	43,634	40,546
2011	35,527	46,170	42,735
2012	36,438	48,798	44,599
2013	37,728	49,277	44,851
2014	39,802	52,324	47,058
2015	41,855	55,758	48,978
2016	42,701	57,739	49,870
2017	43,405	60,156	51,885
2018	44,793	63,557	54,446

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*Source: U.S. Department of Commerce, Bureau of Economic Analysis.*

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## Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2014 through 2018 for the City, the County and the State of California.

**LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES  
2014 through 2018<sup>(1)</sup>  
City of Claremont, Los Angeles County and State of California**

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate (%)</u>
2014	City of Claremont	16,600	15,300	1,300	7.9
	Los Angeles County	4,992,600	4,580,300	412,300	8.3
	State of California	18,714,700	17,310,900	1,403,800	7.5
2015	City of Claremont	16,700	15,600	1,000	6.3
	Los Angeles County	4,989,800	4,659,700	330,100	6.6
	State of California	18,851,100	17,681,800	1,169,200	6.2
2016	City of Claremont	16,800	16,000	800	4.9
	Los Angeles County	5,041,400	4,776,700	264,800	5.3
	State of California	19,044,500	18,002,800	1,041,700	5.5
2017	City of Claremont	16,900	16,200	700	4.3
	Los Angeles County	5,096,500	4,853,800	242,700	4.8
	State of California	19,205,300	18,285,500	919,800	4.8
2018	City of Claremont	17,000	16,300	700	4.3
	Los Angeles County	5,136,300	4,896,500	239,800	4.7
	State of California	19,398,200	18,582,800	815,400	4.2

<sup>(1)</sup> Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2019 Benchmark.

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## Industry

The County is included in the Los Angeles-Long Beach-Glendale Metropolitan Division (the “Metropolitan Division”). The distribution of employment in the Metropolitan Division is presented in the following table for the last five years. These figures may be multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

**INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES**  
**2014 through 2018**  
**Los Angeles County (Los Angeles-Long Beach-Glendale Metropolitan Division)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Farm	5,200	5,000	5,300	5,700	4,800
Mining & Logging	3,100	2,900	2,400	2,000	1,900
Construction	118,500	126,100	133,900	138,400	146,000
Manufacturing	371,500	368,200	360,800	349,900	343,700
Wholesale Trade	219,600	222,400	222,100	221,500	222,800
Retail Trade	415,700	422,200	424,600	426,100	425,300
Transportation & Warehousing	157,100	165,500	177,000	186,700	191,300
Utilities	12,100	12,100	11,900	11,500	11,600
Information	198,900	207,600	229,400	214,900	217,400
Financial Activities	211,200	215,600	219,800	221,600	223,000
Professional, Scientific & Technical Svcs.	272,200	272,200	278,200	285,000	291,800
Management of Companies and Entprs.	60,000	59,400	58,400	59,300	59,800
Administrative & Support & Waste Svcs.	257,000	259,400	263,500	264,500	268,400
Educational and Health Services	725,000	745,900	772,700	800,600	823,600
Leisure and Hospitality	464,100	486,600	510,000	524,600	534,300
Other Services	150,500	151,000	153,300	155,700	159,700
Government	<u>556,200</u>	<u>568,500</u>	<u>576,700</u>	<u>586,100</u>	<u>589,600</u>
Total All Industries	4,197,800	4,290,700	4,399,900	4,454,000	4,514,900

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2018 Benchmark.

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## Largest Employers

The following tables shows the largest employers located in the County.

### PRINCIPAL EMPLOYERS 2018 County of Los Angeles

<u>Employer Name</u>	<u>Number of Employees</u>
Los Angeles County	109,881
Los Angeles Unified School District	60,240
University of California, Los Angeles	48,570
U.S. Government- Federal Executive Board	47,200
Kaiser Permanente	37,468
City of Los Angeles	33,375
State of California	30,000
University of Southern California	21,055
Northrop Grumman Corp.	16,600
Providence Health & Services So. California	15,951
Target Corp.	15,000
Ralphs/Food 4 Less (Kroger Co. division)	14,970
Walt Disney Co.	13,000
Allied Universal	12,879
NBC Universal	12,000
AT&T Inc.	11,500
Home Depot	11,200
Albertsons/Vons/Pavilions	10,200
Los Angeles County MTA	9,907
UPS	9,553
Los Angeles Department of Water & Power	9,425
California Institute of Technology	8,697
Wells Fargo	8,582
ABM Industries Inc.	8,000
FedEx Corp.	7,000
Los Angeles Community College District	6,893
Long Beach Unified School District	6,686
Bank of America Corp.	6,572
Dignity Health	6,200
Space Exploration Technologies Corp. (SpaceX)	6,000
City of Hope	5,950
Raytheon	5,800
Children's Hospital Los Angeles	5,735
Costco	5,445
SoCalGas	5,400

Note: The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in Los Angeles County. Several additional companies may have qualified for this list, but failed to submit information or do not break out local employment data.

Source: "2018 Book of Lists," *Los Angeles Business Journal*, August 27, 2018.

## Commercial Activity

Summaries of annual taxable sales for the City and the County from 2014 through 2018 are shown in the following tables.

**ANNUAL TAXABLE SALES  
2014 through 2018  
City of Claremont  
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2014	706	\$295,393	933	\$328,678
2015	711	303,522	1,027	331,143
2016	702	291,515	1,034	323,328
2017	702	328,150	1,040	367,725
2018 <sup>(1)</sup>	719	360,351	1,102	398,481

<sup>(1)</sup> Preliminary, subject to change.

Source: Taxable Sales in California, California State Board of Equalization for 2014.

Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-18. Some previously reported data has been revised by the CDTFA.

**ANNUAL TAXABLE SALES  
2014 through 2018  
Los Angeles County  
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2014	187,408	\$104,189,819	272,733	\$147,446,927
2015	194,425	109,094,980	306,398	151,981,740
2016	197,386	110,944,351	312,039	155,155,641
2017	197,452	114,298,560	313,226	160,280,130
2018 <sup>(1)</sup>	200,603	118,862,036	328,407	165,674,354

<sup>(1)</sup> Preliminary, subject to change.

Source: Taxable Sales in California, California State Board of Equalization for 2014.

Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-18. Some previously reported data has been revised by the CDTFA.



## Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for 2014 through 2018 for the City and the County are shown in the following tables.

### BUILDING PERMITS AND VALUATIONS 2014 through 2018 City of Claremont (Dollars in Thousands)

<u>Valuation</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	\$28,742	\$13,286	\$15,162	\$40,555	\$14,334
Non-Residential	55,748	16,806	9,005	14,200	<u>11,045</u>
Total	\$84,490	\$30,092	\$24,167	\$54,755	\$25,379
<u>Units</u>					
Single Family	103	5	42	40	18
Multiple Family	<u>0</u>	<u>18</u>	<u>0</u>	<u>292</u>	<u>18</u>
Total	103	23	42	332	36

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

### BUILDING PERMITS AND VALUATIONS 2014 through 2018 Los Angeles County (Dollars in Thousands)

<u>Valuation</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	\$5,509,418	\$6,383,036	\$6,575,607	\$7,368,352	\$7,441,001
Non-Residential	<u>6,657,571</u>	<u>5,645,372</u>	<u>5,287,623</u>	<u>6,037,503</u>	<u>6,694,097</u>
Total	\$12,166,989	\$12,028,408	\$11,863,230	\$13,405,855	\$14,135,098
<u>Units</u>					
Single Family	4,358	4,487	4,780	5,456	6,070
Multiple Family	<u>14,349</u>	<u>18,405</u>	<u>15,589</u>	<u>17,023</u>	<u>17,152</u>
Total	18,707	22,892	20,369	22,479	23,222

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board..

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## APPENDIX E

### LOS ANGELES COUNTY TREASURY POOL

*The following information concerning the Los Angeles County Treasury Pool (the “Treasury Pool”) has been provided by the Treasurer, and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. None of the District, the Municipal Advisor or the Underwriter has made an independent investigation of the investments in the Treasury Pool or an assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, none of the District, the Municipal Advisor or the Underwriter makes any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Treasurer at [www.ttc.lacounty.gov](http://www.ttc.lacounty.gov); however, the information presented on such website is not incorporated herein by any reference.*

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## THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of February 29, 2020, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

<u>Local Agency</u>	<u>Invested Funds (in billions)</u>
County of Los Angeles and Special Districts	\$13.115
Schools and Community Colleges	16.380
Discretionary Participants	<u>2.934</u>
Total	<u>\$32.429</u>

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	90.96%
Discretionary Participants:	
Independent Public Agencies	8.64%
County Bond Proceeds and Repayment Funds	<u>0.40%</u>
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 19, 2019, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to

the Investment Report dated March 31, 2020, the February 29, 2020, book value of the Treasury Pool was approximately \$32.429 billion, and the corresponding market value was approximately \$32.507 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of February 29, 2020:

<u>Type of Investment</u>	<u>% of Pool</u>
Certificates of Deposit	10.02
U.S. Government and Agency Obligations	60.96
Bankers Acceptances	0.00
Commercial Paper	28.54
Municipal Obligations	0.17
Corporate Notes & Deposit Notes	0.31
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	<u>0.00</u>
	100.00

The Treasury Pool is highly liquid. As of February 29, 2020, approximately 38% of the investments mature within 60 days, with an average of 683 days to maturity for the entire portfolio.