PRELIMINARY OFFICIAL STATEMENT DATED MAY 18, 2022

NEW ISSUE – FULL BOOK-ENTRY

Standard & Poor's Insured Rating: "AA"
Standard & Poor's Rating: "A+"
See "Ratings" herein.

In the opinion of Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, subject, however to certain qualifications described herein, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. Bond Counsel expresses no other opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "Tax Matters" herein.

$10,650,000*
WATERFORD UNIFIED SCHOOL DISTRICT
Stanislaus County, California
General Obligation Bonds
Election of 2016, Series A

***Dated:* Date of Delivery** ***Due:* August 1, as shown on inside front cover**

The Waterford Unified School District (the "District") is issuing the "Waterford Unified School District, Stanislaus County, California, General Obligation Bonds, Election of 2016, Series A" (the "Bonds") in the aggregate principal amount of $10,650,000*.

The Bonds are being sold to: (i) repay the 2019 General Obligation Bond Anticipation Notes of Waterford Unified School District, Stanislaus County, California (the "Notes"); (ii) upgrade/acquire career technical education classrooms, renovate /repair aging classrooms, replace leaking pipes, repair or replace roofs, and update fire/life safety systems; and (iii) pay costs of issuance of the Bonds.

The Board of Supervisors of Stanislaus County (the "County Board of Supervisors") is empowered and obligated to annually levy and collect *ad valorem* property taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), for the payment of interest on, and principal of, the Bonds, all as more fully described herein under "The Bonds" and "Sources Of Payment For The Bonds."

The Bonds will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive physical certificates representing their interests in the Bonds. See Appendix F – "Book-Entry-Only System."

The Bonds will be issued as current interest bonds as set forth herein. Interest related to the Bonds accrues from their date of delivery at the rates set forth herein, and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2022. The Bonds mature on August 1 in the years and amounts set forth herein. See "Maturity Schedule." Payments of such principal and interest on the Bonds will be paid by Zions Bancorporation, National Association, Los Angeles, California, as paying agent ("Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described herein. See "The Bonds – Redemption."

This cover page summarizes certain provisions of the Bonds for brief reference only, and is not a summary of all the provisions. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Lozano Smith, LLP, Sacramento, California, Bond Counsel. Certain legal matters also will be passed upon for the District by Lozano Smith, LLP, Sacramento, California, as Disclosure Counsel to the District. Certain matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California. It is anticipated that the Bonds in definitive form will be available for delivery to Cede & Co., as nominee of DTC, on or about June 9, 2022.

The date of this Official Statement is _________, 2022.

* Preliminary, subject to change.

$10,650,000*
WATERFORD UNIFIED SCHOOL DISTRICT
Stanislaus County, California
General Obligation Bonds
Election of 2016, Series A

MATURITY SCHEDULE

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP† Base (941367)
2023	$	%	%	
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				

$_________ – _____% Term Bonds due August 1, 20__; Yield: ____% C; CUSIP†:941367____

C = Priced to optional call date of August 1, 20__ at par.

† *CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (CGS) which is owned by FactSet Research Systems Inc. ("FactSet"). FactSet will manage the CUSIP system on behalf of the American Bankers Association.* *CUSIP® numbers are provided for convenience of reference only. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter, the District, Bond Counsel, nor Disclosure Counsel is responsible for the selection or correctness of the CUSIP® numbers set forth above.*

* Preliminary, subject to change.

WATERFORD UNIFIED SCHOOL DISTRICT

DISTRICT ADMINISTRATION

Don Davis, *Superintendent*
Sarah Yarbrough, *Director of Fiscal Services*

FINANCIAL ADVISOR

Dale Scott & Company Inc.
San Francisco, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Lozano Smith, LLP
Sacramento, California

UNDERWRITER'S COUNSEL

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

PAYING AGENT, TRANSFER AGENT, AND BOND REGISTRAR

Zions Bancorporation, National Association
Los Angeles, California

TABLE OF CONTENTS

Page

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the inside cover page, and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy, nor may 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. No dealer, broker, salesperson, or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable but, as to such other sources, it is not guaranteed as to accuracy or completeness. All summaries of the Resolution, Paying Agent Agreement, or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference such documents, and do not purport to be complete statements of any or all of such provisions. The District maintains a website and certain other social media accounts. However, the information presented there is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

When used in this Official Statement and in any press release and in any oral statement made with the approval of an authorized officer of the District, 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." 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 statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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. This Official Statement is not a contract between any bond owner and the District or the Underwriter.

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

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell Bonds to certain securities dealers and banks at prices lower than the initial public offering price stated on the inside cover page hereof, and said initial public offering price may be changed from time to time by the Underwriter.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM, supplied by AGM and presented under the heading "Bond Insurance" and "Appendix H – Specimen Municipal Bond Insurance Policy."

$10,650,000*
WATERFORD UNIFIED SCHOOL DISTRICT
Stanislaus County, California
General Obligation Bonds
Election of 2016, Series A

INTRODUCTION

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

This Official Statement, which includes the cover page, the inside cover page, and the attached appendices, sets forth certain information concerning the sale and delivery by the Waterford Unified School District (the "District") of $10,650,000* principal amount of the Waterford Unified School District, Stanislaus County, California, General Obligation Bonds, Election of 2016, Series A (the "Bonds"), as described more fully herein.

The District

The District is located in the San Joaquin Valley of California, about 15 miles east of Modesto and about 95 miles east of San Francisco. The District encompasses an area of approximately 38 square miles, including the city of Waterford (the "City") and the surrounding unincorporated territory in the eastern portion of Stanislaus County (the "County"). The City is the eighth largest city in the County, and occupies a land area of approximately 1,100 acres and serves a population of approximately 8,944 persons.

The District operates seven schools including one Child Development Center with Head Start, California State Preschool and Migrant preschool classes, one primary school providing transitional kindergarten through third grade education services, one intermediate school providing fourth through sixth grade educational services, one junior high school providing seventh and eighth grade education services, two high schools (one serving grades nine through twelve, including an independent studies program, and the other an alternative continuing education school), and one adult school. The District provides regionalized special-education services for the Special Education Local Planning Area (SELPA) for moderate to severely handicapped students in grades 7-8, 9-12, and adult transition.

The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term by voters within five trustee areas. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other personnel. Don Davis is currently the District's Superintendent; however, he will be retiring on June 30, 2022. The current Assistant Superintendent, Jose Aldaco, has been appointed by the

* Preliminary, subject to change.

Board to succeed Don Davis as the District's Superintendent effective July 1, 2022. See Appendix A – "General Information – Administration" herein.

Description of the Bonds. The Bonds will be dated their date of delivery and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. Interest payable with respect to the Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2022 and principal payable with respect to the Bonds will be paid on the dates as set forth on the inside cover page of this Official Statement. See "The Bonds – Payment of Principal and Interest."

Registration. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "The Bonds – Book-Entry-Only System."

Redemption. The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their respective maturity dates. See "The Bonds – Redemption."

Authority for Issuance of the Bonds. The Bonds are issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and applicable provisions of the Education Code of the State (the "Bond Law"). The Bonds are authorized to be issued pursuant to that certain resolution adopted by the Board of Trustees of the Waterford Unified School District (the "Board of Trustees") on March 24, 2022 (the "Resolution"), and are issued pursuant to that certain Paying Agent Agreement dated as of June 1, 2022 (the "Paying Agent Agreement"), between the District and Zions Bancorporation, National Association, as registrar, transfer agent, and paying agent, (the "Paying Agent"). See "The Bonds – Authority for Issuance; Purpose."

Security for the Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by the County on property located within the District. The County Board of Supervisors has the power and is obligated to annually levy *ad valorem* property taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). Proceeds of the *ad valorem* property tax levy will be deposited in the District's Interest and Sinking Fund ("Interest and Sinking Fund"), which is maintained by the Stanislaus County Treasurer-Tax Collector (the "County Treasurer"), and then transferred semiannually to the Paying Agent and deposited in the Debt Service Fund (the "Debt Service Fund") for the payment of debt service on the Bonds. See "Sources of Payment for the Bonds."

Pursuant to Section 53515 of the California Government Code, all general obligation bonds issued by local agencies, including the Bonds, will be automatically secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes. The lien will be enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act. Although the statutory lien will not be automatically terminated in the event the District filed a bankruptcy petition pursuant to Chapter 9 of the Bankruptcy Code of the United States, the automatic stay provisions of the Bankruptcy Code would apply and payments of principal and interest on the Bonds 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 consistent with the Bankruptcy Code. See "The Bonds - Security - Statutory Lien."

Pledge of Tax Revenues. The District has pledged all revenues received from the levy and collection of *ad valorem* property taxes for the payment of the Bonds and all amounts on deposit in the Interest and Sinking Fund created pursuant to the Paying Agent Agreement, to the payment of such Bonds. Such pledge constitutes a lien on and security interest in the taxes and amounts in the Interest and Sinking Fund. This pledge constitutes an agreement between the District and the owners of the Bonds to provide security for the payment of the Bonds in addition to any statutory lien that may exist.

Purpose of Issue. The proceeds of the Bonds will be used to: (i) repay the Waterford Unified School District, Stanislaus County, California, 2019 General Obligation Bond Anticipation Notes (the "Notes"); (ii) upgrade/acquire career technical education classrooms, renovate /repair aging classrooms, replace leaking pipes, repair or replace roofs, and update fire/life safety systems; and (iii) pay costs of issuance of the Bonds. See "The Bonds – Authority For Issuance; Purpose."

Offering and Delivery of the Bonds. The Bonds are offered when, as, and if issued and received by the Underwriter (as defined herein), subject to approval as to their legality by Lozano Smith, LLP, Sacramento, California, Bond Counsel ("Bond Counsel"). It is anticipated that the Bonds will be available for delivery through DTC in New York, New York on or about July 8, 2021.

Legal Matters. Issuance of the Bonds is subject to the approving opinion of Bond Counsel, to be delivered in substantially the form attached hereto as Appendix D. Lozano Smith, LLP, Sacramento, California, will also serve as Disclosure Counsel ("Disclosure Counsel") to the District. Certain matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Underwriter's Counsel"). Payment of the fees of Bond Counsel, Disclosure Counsel, and Underwriter's Counsel is contingent upon issuance of the Bonds.

Tax Matters. In the opinion of Bond Counsel, subject to the qualifications described herein, under existing law, interest on the Bonds will be excludable from gross income for federal income tax purposes and will not be included in computing the alternative minimum taxable income of the owners thereof. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "Tax Matters."

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate is included in Appendix E. See Appendix E - "Form of Continuing Disclosure Certificate."

Other Information. This Official Statement speaks only as of its date, and the information contained herein is subject to change. For limiting factors about this Official Statement, see "General Information About This Official Statement."

Copies of documents referred to herein and information concerning the Bonds are available from the Office of the Superintendent, Waterford Unified School District, 219 North Reinway Avenue, Building 2, Waterford, California 95386; telephone 209-874-3109 (the "Superintendent's Office"). The District may impose a charge for copying, mailing, and handling.

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 of such documents, statutes, and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable, but the 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.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities and Exchange Act of 1934, as amended, and Section 27A of the United States Securities Exchange Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," or other similar words. Such 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 forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material.

THE BONDS

Authority for Issuance; Purpose

At the general election held on November 8, 2016, the District received authorization from the requisite fifty-five percent (55%) of the qualified voters of the District to issue general obligation bonds in a principal amount not to exceed $10,650,000 (the "2016 Authorization"). The Bonds are the first and only series of general obligation bonds to be issued pursuant to the 2016 Authorization. The Bonds are authorized to be issued pursuant to the 2016 Authorization, the Resolution, and the Paying Agent Agreement.

The proceeds of the Bonds will be used (i) repay the Notes; (ii) upgrade/acquire career technical education classrooms, renovate /repair aging classrooms, replace leaking pipes, repair or replace roofs, and update fire/life safety systems; and (iii) pay costs of issuance of the Bonds.

Description of the Bonds

The Bonds will be executed and delivered in the aggregate principal amount of $10,650,000*. The Bonds will be issued as current interest bonds, dated their date of delivery, and will be issued in fully registered form without coupons, in the denomination of $5,000 principal amount or any integral multiple of $5,000. The Bonds will mature and will bear interest at the rates (calculated on the basis of a 360-day year composed of twelve, 30-day months) as provided on the inside cover page hereof, payable on February 1 and August 1 of each year, commencing August 1, 2022.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of DTC, or its nominee, all payments of principal and interest on the Bonds will be paid to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See Appendix F – "Book-Entry-Only System."

In the event that the Bonds are no longer registered in book-entry form, payment of interest on any Bond on any Interest Payment Date will be made to the person appearing on the registration books of the Paying Agent, as the owner thereof, as of the Record Date immediately preceding such Interest Payment Date. Interest will be paid by check mailed to the owner on the Interest Payment Date at their address as it appears on such registration books or at such other address as they may have filed with the Paying Agent for that purpose, on or before the Record Date. "Interest Payment Date" is the date or dates on which installments of interest are due and payable with respect to the Bonds. The owner in an aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that such owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. "Record Date" for the Bonds means the fifteenth day of the month immediately preceding the relevant Interest Payment Date. The principal payable on the Bonds shall be payable upon maturity or redemption upon surrender at the principal office of the Paying Agent. The interest and principal on the Bonds shall be payable in lawful money of the United States of America.

Payment of Principal and Interest

At least one business day prior to the date any payment is due in respect of the Bonds, the County will cause monies which it collected to be deposited with the Paying Agent in an amount sufficient to pay the principal, interest, and premium (if any) to become due on all Bonds outstanding on such payment date. When and as paid in full, and following surrender thereof to the Paying Agent, all Bonds shall be cancelled by the Paying Agent, and thereafter, shall be destroyed.

* Preliminary, subject to change.

Security

Obligation to Levy Taxes for Payment of Bonds. The County Board of Supervisors and the officers of the County are obligated by statute to provide for the levy and collection of property taxes in each year sufficient to pay all principal and interest coming due on the Bonds in such year, and to pay from such taxes all amounts due on the Bonds. The District shall take all steps required by law and by the County to ensure that the County Board of Supervisors shall annually levy a tax upon all taxable property in the District sufficient to pay the principal, redemption premium (if any), and interest on the Bonds as and when the same become due. Further information regarding *ad valorem* property taxation in general may be found herein. See "Sources of Payment for the Bonds."

Statutory Lien. Pursuant to Section 53515 of the California Government Code, all general obligation bonds issued by the District, including the Bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes. The lien will automatically attach, without further action or authorization by the governing board of the District, and will be 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 the lien will be enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Although the statutory lien would not be automatically terminated in the event of a filing of a bankruptcy petition by the District pursuant to Chapter 9 of the Bankruptcy Code of the United States, the automatic stay provisions of the Bankruptcy Code would apply and payments of principal and interest on the Bonds could be delayed or discontinued during the course of a bankruptcy proceeding. On March 26, 2019, the U.S. Court of Appeals for the First Circuit affirmed the ruling of the U.S. District Court for the District of Puerto Rico (PROMESA Title III Case No. 17-BK-3283 (LTS)) that, "while Section 928(a) of the Bankruptcy Code extends the statutory lien to cover post-bankruptcy filing special revenue, and Section 922(d) permits a municipality to apply those special revenues to make secured payments, neither of those Bankruptcy Code Sections affirmatively require continued payments during the pendency of the bankruptcy proceedings." "Special revenues" include, among others, taxes specifically levied to finance projects or systems of the debtor.

Because State law requires that the levied *ad valorem* property taxes only be used to pay the Bonds, and that the proceeds from the sale of the Bonds be used to finance or refinance the acquisition or improvement of real property or other capital projects of the District, the *ad valorem* property taxes levied for the Bonds appear to qualify as "special revenues." In light of the decision of the U.S. Court of Appeals for the First Circuit and the lack of binding judicial precedent in the State, no assurances can be provided by the District that a bankruptcy court would not delay or discontinue the payments of principal and interest on the Bonds during the course of a bankruptcy proceeding.

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 herein. 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.-

Pledge of Tax Revenues.

The District has pledged all revenues received from the levy and collection of *ad valorem* property taxes for the payment of the Bonds and all amounts on deposit in the Interest and Sinking Fund created pursuant to the Paying Agent Agreement, to the payment of such Bonds. Such pledge constitutes a lien on and security interest in the taxes and amounts in the Interest and Sinking Fund. This pledge constitutes an agreement between the District and the owners of the Bonds to provide security for the payment of the Bonds in addition to any statutory lien that may exist.

Book-Entry-Only System

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of DTC, and will be available to the Beneficial Owners of the Bonds in the denominations set forth on the inside cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See Appendix F – "Book-Entry-Only System." In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered as described below.

Paying Agent

Zions Bancorporation, National Association, Los Angeles, California, will act as Paying Agent for the Bonds. As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action covered by such notice.

The Paying Agent, the District, the County, and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of Beneficial Ownership, or for maintaining, supervising or reviewing any records relating to Beneficial Ownership, of interests in the Bonds.

Registration, Transfer and Exchange of Bonds

The Paying Agent will keep or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds (the "Bond Register"), 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 or transfer, or cause to be registered or transferred, on said books, the Bonds.

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

Any Bond may be transferred in the Bond Register by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of the Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent.

Whenever any Bond is surrendered for transfer, the designated District officials shall execute and the Paying Agent shall authenticate and deliver a new Bond of the same maturity, for a like aggregate principal amount and bearing the same rate of interest. All fees and costs of any transfer of the Bond shall be paid by the bondholder requesting such transfer.

The Bonds may be exchanged at the Paying Agent's office, or such other place as the Paying Agent shall designate, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate. All fees and costs of any exchange of the Bond shall be paid by the bondholder requesting such exchange.

No transfer or exchange of the Bonds shall be required to be made by the Paying Agent during the period from the close of business on the Record Date next preceding any Interest Payment Date to and including such Interest Payment Date; or from and after the day that Bonds are selected for redemption in whole or in part.

Redemption

Optional Redemption of Bonds. The Bonds maturing on or after August 1, 20--, are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part (by such maturities as may be specified by the District and by lot within a maturity), on any date on or after August 1, 20-- , at redemption prices equal to the principal amount of Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption of the Bonds. The Term Bonds maturing on August 1, 20--, are subject to mandatory redemption by the District prior to their stated maturity, in part, by lot, from Mandatory Redemption Payments in the following amounts and on the following dates, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, but which amounts will be proportionately reduced by the principal amount of all Term Bonds optionally redeemed:

Mandatory Redemption Dates (August 1)	**Mandatory Redemption Payment**
20--	
20--	
TOTAL	**$**

* *Final maturity*

Selection of Bonds for Redemption. If less than all the outstanding Bonds are to be redeemed, not less than 30 nor more than 60 days prior to the redemption date the Paying Agent shall select the particular Bonds to be redeemed from the outstanding Bonds that have not previously been called for redemption, in minimum denominations of $5,000, as directed by the District, and if no such direction has been provided, in inverse order of maturity and by lot within a maturity in any manner that the Paying Agent in its sole discretion shall deem appropriate and fair. The Paying Agent shall promptly notify the District in writing of the Bonds selected for redemption and, in the case of a Bond selected for partial redemption, the principal amount to be redeemed.

Notice of Redemption. Notice of redemption of any Bond is required to be given by the Paying Agent not less than 30 nor more than 60 days prior to the redemption date: (a) by first class mail to the respective owners of any Bond designated for redemption at their addresses appearing on the bond register; (b) by registered or overnight mail to the securities depositories and the information service as identified in the Paying Agent Agreement if the Bonds are not registered solely to a security depository; and (c) as may be further required in accordance with the Continuing Disclosure Certificate of the District. See Appendix E – "Form of Continuing Disclosure Certificate."

Notice of any redemption of the Bonds will specify: (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity of the Bonds to be redeemed; (vi) if less than all of the Bonds of any maturity are to be redeemed, the distinctive numbers of the Bonds of each maturity to be redeemed; (vii) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (ix) a statement that such Bonds must be surrendered by the owners at the Paying Agent's Office, or at such other place or places designated by the Paying Agent; (x) a statement that on the redemption date there will become due and payable the redemption price of the Bond (or the specified portion of the principal amount if Bonds are redeemed in part only), together with interest accrued thereon to the redemption date; (xi) notice that further interest on such Bonds will not accrue after the designated redemption date; and (xii) such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

A certificate of the Paying Agent or the District that notice of call and redemption has been given to owners and to the securities depositories and the information service shall be conclusive as against all parties. The actual receipt by the owner of any Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

When notice of redemption has been given substantially as provided in the Paying Agent Agreement, and when the redemption price of the Bonds called for redemption is set aside, the Bonds designated for redemption shall become due and payable on the specified redemption date, and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefore. The owners of such Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the redemption premium thereon, if any, only to the funds established for such purpose. All Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Right to Rescind Notice; Conditional Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Paying Agent who will then provide written notice to the owners of the Bonds called for redemption. The District may make any redemption conditional upon the availability of money for payment of the redemption price on the redemption date designated in the notice. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption monies are not available or otherwise held for such purpose in an amount sufficient to pay in full on said date the principal, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Deposit of Redemption Price. Prior to or on the date fixed for redemption of the Bonds, there shall be available in the Debt Service Fund or deposited in an escrow fund or otherwise held in trust, an amount of money sufficient to pay the redemption price of all the Bonds that are to be redeemed on that date. Such money shall be held for the benefit of the persons entitled to such redemption price. All such amounts shall be used and withdrawn solely for the purpose of redeeming the Bonds, in the manner, at the times, and upon the terms and conditions specified in the Paying Agent Agreement. If, after all of the Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in escrow fund or otherwise held in trust for the payment of redemption price of the Bonds, said monies shall be held in or returned or transferred to the Debt Service Fund of the District for payment of any outstanding bonds of the District payable from said fund; provided, however, that if said monies are part of the proceeds of bonds of the District, said monies shall be transferred to the fund created for the payment of principal of and interest on such bonds. If no such bonds of the District are at such time outstanding, said monies shall be transferred to the general fund of the District as provided and permitted by law.

Defeasance of Bonds

If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the owners of all outstanding Bonds all of the principal, interest, and premium (if any) represented by the Bonds, then such owners shall cease to be entitled to the obligation to levy taxes for payment of the Bonds, and such obligation and all agreements and covenants of the District to such owners under the Paying Agent Agreement, and under the Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest, and premium (if any) on the Bonds.

The District may pay and discharge any or all of the Bonds by depositing with the Paying Agent, or with a fiscal agent selected by the District, at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations, the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount that will, together with the interest to accrue thereon and available monies then on deposit in the Debt Service Fund of the District, be fully sufficient, in the opinion of a certified public accountant licensed to practice in the State, to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before their respective maturity dates.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by

AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Capitalization of AGM

At March 31, 2022:

- The policyholders' surplus of AGM was approximately $2,909 million.
- The contingency reserve of AGM was approximately $893 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,116 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (filed by AGL with the SEC on May 6, 2022).

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

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

Miscellaneous Matters

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

BOND INSURANCE RISK FACTORS

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

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

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

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

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

Neither the Issuer or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

SOURCES OF PAYMENT FOR THE BONDS

The Bonds are general obligation bonds of the District payable from ad valorem property taxes. The County Board of Supervisors has the power and is obligated to levy ad valorem property taxes upon all property within the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates), for the payment of the Bonds and the interest thereon, in accordance with and subject to the Bond Law. The Bonds are not a debt of the County.

Ad Valorem Property Taxes

The County Board of Supervisors is empowered and is obligated to levy *ad valorem* property taxes, without limitation as to rate or amount, for the payment of the principal and interest on the Bonds, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). Such 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 and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the District's Interest and Sinking Fund for the Bonds, which is segregated and maintained by the County and used for the payment of the Bonds. Although the County is obligated to levy an *ad valorem* property tax for the payment of the Bonds and will maintain the Interest and Sinking Fund for the repayment of the Bonds, the Bonds are not a debt of the County.

The amount of the annual *ad valorem* property tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the principal, interest, and premium (if any) (the "Debt Service Deposit") due on the Bonds in any year. Fluctuations in the Debt Service Deposits and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as economic recession, deflation of property values, pandemic, a relocation out of the District by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, fire, wildfire, flood, drought or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in annual tax levy. See, "Risk Factors – COVID 19 and the Effect of COVID 19 Response on California School Districts" herein.

The Bonds will be secured by a statutory lien on all revenues received from the levy of *ad valorem* property taxes for the payment the Bonds. See, "The Bonds – Security - Statutory Lien" herein.

Property Tax Collection Procedures

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer.

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

Assessed Valuations

The assessed valuation of property in the District is established by the Stanislaus County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are assessed, see Appendix A – "General and Financial Information of the District– Constitutional and Statutory Provisions Affecting District Revenues and Appropriations."

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

Property within the District had a total assessed valuation for fiscal year 2021-22 of $833,517,926, an increase of 5.09% from fiscal year 2020-21. Shown in the following table are the assessed valuations for the District from 2005-06 to 2021-22. Notwithstanding recent increases in the market value of property in the local real estate market, it is possible that the assessed valuation in the District could be reduced in future fiscal years. See "Sources of Payment for the Bonds - Appeals and Adjustments of Assessed Valuations" herein.

The following table shows the secured and unsecured assessed valuation of property in the District and the annual percentage of change for fiscal years 2005-06 through 2021-22.

Table No. 1

ASSESSED VALUATION
Fiscal Years 2005-06 through 2021-22
Waterford Unified School District

Fiscal Year	Local Secured	Unsecured	Total	Annual % Change
2005-06	$429,869,366	$13,488,182	$443,357,548	--
2006-07	540,114,550	15,535,242	555,649,792	25.33%
2007-08	624,372,696	16,057,874	640,430,570	15.26
2008-09	564,380,334	18,884,894	583,265,228	-8.93
2009-10	484,552,021	18,326,786	502,878,807	-13.78
2010-11	467,259,589	16,520,031	483,779,620	-3.80
2011-12	445,368,422	16,221,585	461,590,007	-4.59
2012-13	441,248,736	15,018,091	456,266,827	-1.15
2013-14	464,729,293	15,015,453	479,744,746	5.15
2014-15	530,840,437	14,972,981	545,813,418	13.77
2015-16	582,275,721	14,673,341	596,949,062	9.37
2016-17	615,902,509	16,009,193	631,911,702	5.86
2017-18	658,576,376	15,486,857	674,063,233	6.67
2018-19	692,547,004	15,281,059	707,828,063	5.01
2019-20	734,492,827	16,966,424	751,459,251	6.16
2020-21	771,143,895	22,016,223	793,160,118	5.55
2021-22	814,113,297	19,404,629	833,517,926	5.09

Source: California Municipal Statistics, Inc.

The distribution of assessed valuation and parcels by land use in the District in fiscal year 2021-22 is shown in the following table.

Table No. 2

ASSESSED VALUATION AND PARCELS BY LAND USE
FISCAL YEAR 2021-22
Waterford Unified School District

	2021-22 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$207,836,740	25.53%	261	8.53%
Commercial/Office	39,445,201	4.85	120	3.92
Vacant Commercial	3,898,616	0.48	27	0.88
Industrial	6,872,633	0.84	20	0.65
Vacant Industrial	174,982	0.02	1	0.03
Government/Social/Institutional	369,531	0.05	82	2.68
Miscellaneous	389,052	0.05	71	2.32
Subtotal Non-Residential	$258,986,755	31.81%	582	19.02%
Residential:				
Single Family Residence	$515,820,728	63.36%	2,318	75.75%
Mobile Home	387,129	0.05	4	0.13
Mobile Home Park	3,063,413	0.38	3	0.10
2-3 Residential Units	19,276,078	2.37	68	2.22
4+ Residential Units/Apartments	6,239,862	0.77	25	0.82
Vacant Residential	10,339,332	1.27	60	1.96
Subtotal Residential	$555,126,542	68.19%	2,478	80.98%
Total	$814,113,297	100.00%	3,060	100.00%

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

The following table shows the 2021-22 assessed valuation of property in the District by jurisdiction.

Table No. 3

ASSESSED VALUATION BY JURISDICTION
FISCAL YEAR 2021-22
Waterford Unified School District

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Waterford	$545,753,739	65.48%	$545,753,739	100.00%
Unincorporated Stanislaus County	287,764,187	34.52	$17,955,598,637	1.60%
Total District	$833,517,926	100.00%		
Stanislaus County	$833,517,926	100.00%	$57,702,769,234	1.44%

Source: California Municipal Statistics, Inc.

Set forth in the following table is the per-parcel assessed valuation of single-family homes in the District for fiscal year 2020-21, including the average and median assessed value of single family parcels.

Table No. 4

PER PARCEL ASSESSED VALUATION OF SINGLE-FAMILY HOMES
Fiscal Year 2021-22
Waterford Unified School District

	No. of Parcels	2020-21 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	2,318	$515,820,728	$222,528	$202,280

2020-21 Assessed Valuation	No. of Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	7	0.302%	0.302%	$126,079	0.024%	0.024%
$25,000 - $49,999	41	1.769	2.071	1,705,437	0.331	0.355
$50,000 - $74,999	70	3.020	5.091	4,419,173	0.857	1.212
$75,000 - $99,999	121	5.220	10.311	10,571,074	2.049	3.261
$100,000 - $124,999	192	8.283	18.594	21,786,818	4.224	7.485
$125,000 - $149,999	278	11.993	30.587	38,211,357	7.408	14.893
$150,000 - $174,999	228	9.836	40.423	37,030,337	7.179	22.072
$175,000 - $199,999	210	9.060	49.482	39,160,115	7.592	29.663
$200,000 - $224,999	178	7.679	57.161	37,644,088	7.298	36.961
$225,000 - $249,999	178	7.679	64.840	42,156,795	8.173	45.134
$250,000 - $274,999	177	7.636	72.476	46,374,559	8.990	54.125
$275,000 - $299,999	137	5.910	78.387	39,299,996	7.619	61.744
$300,000 - $324,999	104	4.487	82.873	32,359,902	6.273	68.017
$325,000 - $349,999	103	4.443	87.317	34,715,506	6.730	74.747
$350,000 - $374,999	91	3.926	91.242	33,113,611	6.420	81.167
$375,000 - $399,999	50	2.157	93.399	19,332,983	3.748	84.915
$400,000 - $424,999	39	1.682	95.082	16,074,756	3.116	88.031
$425,000 - $449,999	33	1.424	96.506	14,382,281	2.788	90.819
$450,000 - $474,999	26	1.122	97.627	11,941,277	2.315	93.134
$475,000 - $499,999	8	0.345	97.972	3,861,695	0.749	93.883
$500,000 and greater	47	2.028	100.000	31,552,889	6.117	100.000
Total	2,318	100.000%		$515,820,728	100.000%	

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

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 State Board of Equalization (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 XIIIA. See Appendix A – "General and Financial Information of the District– Constitutional and Statutory

Provisions Affecting District Revenues and Appropriations – Article XIIIA 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 the 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, wildfire, drought, or toxic contamination pursuant to relevant provisions of the State Constitution. See Appendix A – "General and Financial Information of the District– Constitutional and Statutory Provisions Affecting District Revenues and Appropriations – Article XIIIA 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 XIIIA.

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

Teeter Plan

After the passage of Proposition 13 in 1978, the State legislature enacted new methods for allocating and apportioning property tax revenues to local government agencies and public schools. Each year, the auditor of non-Teeter counties generates a secured tax roll by applying the one percent (1%) tax rate set by Proposition 13 and other tax rates for voter-approved debt to the combined assessed valuation roll. The property tax revenues that are received each year are apportioned and allocated to local agencies and schools using prescribed formulas and methods defined in the California Revenue and Taxation Code. See Appendix A – "General and Financial Information of the District– Constitutional and Statutory Provisions Affecting District Revenues and Appropriations – Article XIIIA of the California Constitution" herein.

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") as provided for in the California Revenue and Taxation Code, which requires the County to pay 100% of secured property taxes due to local agencies in the fiscal year such taxes are due. Pursuant to these provisions, each county operating under the Teeter Plan establishes a delinquency reserve and assumes responsibility for all secured delinquencies, assuming that certain conditions are met.

Because of this method of tax collection, the K-12 districts, including the District, located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100%

collection of their secured tax levies if the conditions established under the applicable county's Teeter Plan are met. However, such districts are no longer entitled to share in the receipt of any penalties due to delinquent payments. Currently, the County includes general obligation bond debt service in its Teeter Plan, and will include debt service levies for the Bonds.

This method of tax collection and distribution is subject to future discontinuance at the County's option if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3% in any year, or if demanded by the participating taxing agencies. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collection of the *ad valorem* property taxes and the delinquency rates experienced with respect to the parcels within the District.

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other pandemic or natural or manmade disaster. See "Risk Factors – Natural Disasters – COVID -19 and the Effect of COVID -19 Response on California School Districts." However, notwithstanding any possible future change to or discontinuation of the Teeter Plan, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Bonds when due.

Tax Levies and Delinquencies

The following table shows the secured tax charges and delinquencies for the *ad valorem* property taxes levied by the County to repay general obligation bonds of the District for fiscal years 2018-19 through 2020-21. The County did not begin reporting secured tax charges and delinquencies for individual school districts until 2018-19. Because the County utilizes the Teeter Plan, as previously discussed, the District received 100% of the assessments levied.

Table No. 5

WATERFORD UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Year 2018-19 through 2020-21

	Secured Tax Charge[1]	Amount Delinquent June 30	% Delinquent June 30
2018-19	577,286.87	7,458.30	1.29
2019-20	570,441.34	5,847.74	1.03
2020-21	543,956.99	5,259.51	0.97

[1] District's general obligation bond debt service levy.
Source: California Municipal Statistics, Inc.

Tax Rates

The following table summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area (a "TRA") within the District during the six-year fiscal year period from 2016-17 to 2021-22. The 2021-22 assessed valuation of TRA 105-001 is $262,600,494, which is 13.51% of the District's total assessed valuation.

Table No. 6

TYPICAL TOTAL TAX RATES (TRA 105-001)
Fiscal Years 2016-17 through 2021-22
Dollars per $100 of Assessed Value
Waterford Unified School District

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Oak Valley Hospital District	.043555	.042896	.041062	.038799	.036553	.036825
Waterford Unified School District	.088219	.084309	.084630	.078348	.071276	.071081
Yosemite Community College District	.023034	.024068	.025974	.023780	.022778	.024006
Total Tax Rate	1.154808	1.151273	1.151666	1.140927	1.130607	1.131912

Source: California Municipal Statistics, Inc.

Largest Property Owners

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 2021-22 secured assessed valuations. Most of the properties listed in the following table are used for agricultural purposes, such as growing almonds and dairy farming, and may be affected by drought. See "Risk Factors - Natural Disasters" herein.

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.

Table No. 7

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2021-22
Waterford Unified School District

Property Owner	Primary Land Use	2021-22 Assessed Valuation	% of Total[1]
Fresno Farming LLC	Agricultural	$ 22,012,101	2.70%
V.A. Rodden Inc.	Agricultural	13,414,712	1.65
Little Rock Ranch LLC	Agricultural	10,475,340	1.29
Sharon Naraghi	Agricultural	9,365,883	1.15
Riddle Ranch Properties LP	Agricultural	9,309,287	1.14
Modesto Reservoir Ranch	Agricultural	8,485,379	1.04
Waterford Plaza LLC	Shopping Center	7,835,527	0.96
Hayes Ranch Inc.	Agricultural	6,664,474	0.82
Double A Ranches	Agricultural	4,522,597	0.56
James G. & Sheryl L. Frazier	Agricultural	4,436,948	0.55
Darrell E and Carolyn Hayes	Agricultural	4,403,427	0.54
Tap Land Company LP	Agricultural	3,661,293	0.45
Peterson Farms LLC	Agricultural	3,264,933	0.40
Benny A. & Carol S. Ward	Agricultural	3,097,088	0.38
D R Horton CA3 Inc.	Residential Land	3,000,000	0.37
George P. & Suzanne O. Foster	Agricultural	2,621,183	0.32
Thomas J. Marchy	Agricultural	2,619,501	0.32
Allen Miller	Agricultural	2,608,119	0.32
Sunrise Orchard Farms LP	Agricultural	2,454,284	0.30
Phillip B. and Kandis M. Schmidt	Agricultural	2,410,146	0.30
		$126,662,222	15.56%

[1] 2021-22 local secured assessed valuation: $814,113,297.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. dated as of April 1, 2022. 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.

Table No. 8

DIRECT AND OVERLAPPING BONDED INDEBTEDNESS
Waterford Unified School District
Dated as of April 1, 2022

2021-22 Assessed Valuation: $833,517,926

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/22
Yosemite Community College District	1.142%	$3,010,556
Waterford Unified School District	**100.000**	**5,326,601** (1)
Oak Valley Hospital District	13.445	3,729,643
City of Waterford Assessment District Debt	100.000	470,206
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$12,537,006
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Stanislaus County Certificates of Participation	1.445%	$241,676
Stanislaus County Office of Education Certificates of Participation	1.445	16,690
City of Waterford General Fund Obligations	100.000	2,282,678
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,641,044
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$188,806
COMBINED TOTAL DEBT		**$15,266,856** (2)

Ratios to 2021-22 Assessed Valuation:
Direct Debt ($5,326,601) 0.64%
Total Direct and Overlapping Tax and Assessment Debt 1.50%
Combined Total Debt...1.83%

Ratio to Redevelopment Incremental Valuation ($62,013,207):
Total Overlapping Tax Increment Debt 0.30%

(1) Excludes the Bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

DEBT SERVICE SCHEDULE

Annual Debt Service Schedule

The following schedule shows the annual debt service schedule with respect to the Bonds, assuming no optional redemptions. See Appendix A - "General and Financial Information of the District – General Information – District Debt - Combined General Obligation Debt Service Schedule" herein.

Period Ending August 1	Principal	Interest	Total Debt Service
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
TOTAL:			

SOURCES AND USES OF FUNDS

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

Sources of Funds	Amount
Principal Amount	
Net Original Issue Premium	
Total Sources	
Uses of Funds	
BAN Repayment Fund	
Building Fund	
Interest and Sinking Fund	
Underwriter's Discount	
Costs of Issuance[1]	
Total Uses	

[1] Includes fees of Bond Counsel, Disclosure Counsel, Paying Agent, Financial Advisor, rating agency, printing fees, [bond insurance premium], and other miscellaneous expenses.

RISK FACTORS

The following discussion sets forth some of the events that could affect the payment of principal and interest on the Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information contained in this Official Statement in evaluating the Bonds. There can be no assurances that other risk factors will not become material in the future.

Natural Disasters

The assessed value of land in the District can be adversely affected by a variety of natural occurrences. The areas in and surrounding the District, like those in much of California, may be subject to unpredictable seismic activity. Other natural disasters could include, without limitation, wildfires, floods or droughts.

Throughout its history, California has experienced many droughts. Water shortfalls resulting from the driest conditions then-recorded in State history caused Governor Brown, on January 17, 2014, to declare a State-wide Drought State of Emergency for California and directed State officials to take all necessary actions to prepare for water shortages. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. Subsequent executive orders and Water Board regulations imposed reductions on water usage in response to the drought conditions and extended conservation measures indefinitely in order to prepare California for fluctuations in water conditions and potential future drought conditions.

On April 21, 2021, Governor Newson declared a drought emergency for Sonoma and Mendocino counties; and, on May 10, 2021, expanded the drought emergency to include 39 additional counties, including Stanislaus County. As a result of the Governor's proclamation, a majority of the State's 58 counties were under a drought emergency, and state officials began considering ways to conserve water, improve water quality, and move water to where it is most needed.

Due to record-breaking temperatures and a deepening drought, Governor Newson, on July 8, 2021, expanded his previous drought emergency proclamation to include nine additional counties. Californians were asked to voluntarily reduce water usage by 15% in order to protect water reserves and help critical flows for fish and wildlife. On September 23, 2021, Governor Newsom signed climate action bills that included $5.2 billion for drought response and long-term water resilience. The Governor, on October 19, 2021, expanded the drought emergency proclamation statewide to include the remaining eight counties, and empowered the Water Board to prohibit wasteful uses of potable water.

In response to the ongoing drought emergency, the Water Board, on January 4, 2022, adopted regulations to prohibit water waste. Effective January 18, 2022, Californians are prohibited from using drinking water for decorative fountains and pools, watering lawns during and after rain, using hoses without automatic shutoff nozzles, and washing sidewalks and driveways.

Additionally, in recent years, certain portions of the State have been affected by large wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. To date, the District has not been impacted by any wildfires. The District is not located in a High Fire Hazard Severity Zone and none of its facilities have been damaged or destroyed by wildfires or other natural disasters in the last five years.

The District does not maintain earthquake insurance on its facilities. Therefore, there will be no insurance payable with respect to such uninsured hazards of the District's facilities. However, all District buildings were constructed under the standards of the "Field Act" (California State Building Code, Title 24). The Field Act requires substantially higher construction standards for public schools and hospitals than are required for other types of construction. The Field Act requires the building systems be capable of withstanding seismic forces from the most credible earthquake likely to occur in the vicinity of the building systems being constructed.

The District cannot make any representation regarding the effects that the current drought and a future drought, wildfires, or other natural disaster may have on the assessed value of taxable property within the District, or to what extent such events could cause disruptions to agricultural production, reduce land values, or adversely impact other economic activity within the boundaries of the District.

In addition to the events described above, climate change caused by human activities may have adverse effects on the assessed value of property within the District. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods, heat waves, and rising sea levels. Projections of the impact of global climate change are complex and depend on a variety of factors outside of the District's control. The various scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when or if adverse impacts of climate change will occur or the extent of such impacts.

COVID-19 and its Economic Impact

Background. In late 2019, an outbreak of Coronavirus Disease ("COVID-19"), a respiratory virus, occurred in China and since that time has spread globally. In March 2020, the outbreak of COVID-19 was declared a pandemic by the World Health Organization, a national emergency by President Trump, and a state of emergency by the Governor of the State. The global outbreak, together with measures underway to attempt to limit the spread of COVID-19 imposed by local and federal governments, caused volatility in financial markets as well as restrictions and closures of many businesses. As of this date, several vaccines have been approved by federal health authorities to help control the spread of COVID-19.

Federal Response to COVID-19. On March 13, 2020, responding to the evolving COVID-19 situation, President Trump declared a national emergency, making available more than $50 billion in federal resources to combat the spread of the virus. President Trump signed a multi-billion dollar relief package on March 18, 2020, which provided for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. On March 23, 2020 the Federal Reserve Bank lowered the federal funds rate, and announced a Treasury security and agency backed mortgage security buying program and emergency credit and liquidity facilities for financial institutions.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted in order to provide relief and stimulus to American businesses and individuals impacted by COVID-19. The CARES Act, in relevant part, (i) created a $349 billion loan program for small businesses; (ii) provided a payment of $1,200 to each American earning $75,000 a year or less ($150,000 for couples filing jointly) and $500 for each child; (iii) expanded eligibility for unemployment and increases benefits by $600 per week for up to four months; (iv) designated $339.8 billion for state and local governments with $274 billion for COVID-19 response efforts as well as an additional $13 billion for K-12 schools; (v) allocated $500 billion in loans and investments to businesses, including $58 billion to the airline industry; (vi) allocates $100 billion to hospitals and health providers and increases Medicare reimbursements for treating coronavirus; and (vii) delays federal student loan payments until September 2020.

On April 9, 2020, the Federal Reserve took actions to provide up to $2.3 trillion in loans to support the national economy, which included supplying liquidity to participating financial institutions in the Small Business Administration's Paycheck Protection Program ("PPP"), purchasing up to $600 billion in loans through the Main Street Lending Program and offering up to $500 billion in lending to states and municipalities. On April 24, 2020, an additional $484 billion federal aid package was signed. It provided additional funding for the PPP, the SBA disaster assistance loans and grant program, hospital grants, and funding for COVID-19 testing programs.

On December 27, 2020, the President signed the Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSA Act"), an additional $900 billion federal relief package intended to follow and expand on provisions of the CARES Act. This Act included, among other stimulus measures, another round of direct stimulus payments to individuals and families, extended unemployment benefits, expanded the PPP, and provided approximately $82 billion in supplemental aid to support the educational needs of states, school districts and institutions of higher education.

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021 (the "ARP Act"), which provided an additional $1.9 trillion of federal relief. Key provisions of the bill included (i) direct payments of $1,400 to individual taxpayers earning up to $75,000 ($2,800 for married couples earning up to $150,000), plus an additional $1,400 per qualified child (the payment phases out for incomes up to $80,000 ($160,000 for married couples)); (ii) direct aid to state, local, and tribal governments; (iii) extensions of the current unemployment benefit, including an additional $300 weekly unemployment benefit, through September 6, 2021; (iv) enhanced tax incentives, such as an increase in the Child Tax Credit from $2,000 per child to $3,000 ($3,600 for children under 6); an increase in the maximum benefit for childless households under the Earned Income Tax Credit from $543 to $1,502; and other enhanced or extended tax credits, such as the Employee Retention Credit; (v) funding for vaccine distribution, COVID-19 testing, contact tracing, and lower healthcare premiums and expanded coverage for certain workers; (vi) educational support to help K-12 schools safely reopen, with colleges and other higher-education institutions also receiving funding; and (vii) funding for small businesses, emergency rental assistance, mortgage assistance, and relief to prevent homelessness.

State Response to COVID-19. In response to the outbreak of COVID-19 in the State, on March 4, 2020, Governor Gavin Newsom declared a State of Emergency. The declaration was intended to make additional resources available, formalize emergency actions underway across multiple State agencies and departments, and assist the State in preparing for the spread of COVID-19. On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory statewide shelter-in-place order applicable to all non-essential services.

On August 28, 2020, the Governor released a system entitled "Blueprint for a Safer California" (the "State Blueprint") aimed at reducing the spread of COVID-19. The State Blueprint placed the State's 58 counties into four color-coded tiers (purple, red, orange and yellow, in descending order of severity) based on test positivity and adjusted case rate in the county. Each tier imposed restrictions on certain activities to reduce the spread of COVID-19. The tier system was terminated on June 15, 2021 due to significant reductions in positivity and hospitalization due to the availability of COVID-19 vaccines.

On December 3, 2020, a regional stay-at-home order was announced by Governor Newsom due to a surge of COVID-19 hospitalizations. The order was supplemented on December 6, 2020. Additional restrictions were imposed on regions with less than 15% projected intensive care unit ("ICU") bed capacity. The order divided the State into five regions, and the ICU bed capacity in each region was monitored. Activities, such as gatherings of any size, were prohibited in regions that fell below the projected ICU bed capacity minimum. The order also required masking and physical distancing. This order was ended on January 25, 2021.

On February 23, 2021, the Governor signed legislation providing $7.6 billion in funding to help individuals and businesses that were not included in the federal aid package. The legislation included sending a $600 rebate to low-income, disabled and undocumented persons when 2020 taxes are filed; $2 billion in grants to assist small businesses; $35 million for food and diaper banks; and $400 million in subsidies for childcare providers. The legislation also reversed cuts made to public universities and State courts when the State experienced a record-breaking budget deficit.

On June 11, 2021, the Governor signed two orders which "wind-down" the executive actions that were put in place since March 2020 in response to COVID-19. Those orders, which were effective June 15, 2021, lifted the stay-at-home order, retired the State Blueprint, and established a timeline and process for winding down various provisions of the 58 Covid-related executive orders that were signed to help the State and businesses operate during the pandemic. Also, on June 11, 2021, the California Department of Public Health released an order, also effective June 15, 2021, that replaced previous pandemic public health orders with less stringent requirements for face coverings and mass events.

As a result of the various regulations imposed in order to slow the spread of COVID-19 since its outbreak, economic activity within the State, the County and the community around and within the District have suffered episodes of recession and/or depression. Generally, a majority of the State's general fund revenue is derived from personal income tax receipts. However, the 2021-22 State Budget (defined below) indicates that any decline in State revenues as a result of the COVID-19 pandemic was not as severe as originally projected and current projections for the 2022-23 State budget show revenues higher than projected at the enactment of the 2021-22 State Budget. Further, Governor Newsom's 2022-23 Proposed Budget included a $2.7 billion COVID-19 Emergency Response Package. The Package includes $1.4 billion request for emergency funds to be spent to accelerate vaccine and booster efforts, increase medical personnel, and expand statewide testing capacity. See, "– State Budget Measures" below for additional information regarding the impact of COVID-19 on the State budget.

In February 2022, Governor Newsom issued a statement that, starting March 1, 2022, masks would no longer be required for unvaccinated individual, but strongly recommended for all individuals in most indoor settings; and after March 11, 2022, masks would no longer be required, although recommended, in schools and childcare facilities. Masks would continue to be require for everyone in high transmission settings such as public transit, correctional facilities, and long-term care facilities.

Notwithstanding that several vaccines have been approved for public use with respect to COVID-19, the spread of COVID-19 and related variants is ongoing, and future actions to reduce its spread and its impact on global and local economies are uncertain and cannot be predicted. Additional information with respect to events surrounding 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.

COVID-19 Impact on Education. On March 13, 2020, the Governor issued Executive Order N-26-20 which established a procedure for school closures in response to COVID-19, which provided for continued State funding to support distance learning or independent study, continued payments for school district employees, and subsidized school meals to low-income students, among other measures. Executive Order N-26-20 also waived the statutory mandated maintenance of schools for a minimum of 175 days for school districts that initiate a school closure to address COVID-19. Federal funding was also made available to most school districts under the CARES Act, the CRRSA Act and the ARP Act.

On March 17, 2020, to address the impacts of school closures and the COVID-19 response, the California legislature adopted and the Governor signed Senate Bill 89 ("SB 89") and Senate Bill 117 ("SB 117"), which took effect immediately. SB 89 amended the budget act of 2019 by appropriating $500,000,000 from the State general fund for any purpose related to the Governor's March 4th Emergency Proclamation. The second bill, SB 117, directly addressed the economic impacts to school districts. Among other things, SB 117 provided that, for all school districts that complied with Executive Order N-26-20, attendance during only full school months from July 1, 2019, to February 29, 2020, inclusive, will be reported for apportionment purposes. SB 117 held harmless school districts not meeting minimum instructional day and minute requirements, in order to prevent a loss of funding to schools closed due to the outbreak. SB 117 also held harmless grantees operating after-school education and safety programs that were prevented from operating such programs due to COVID-19, and credited such program grantees with the average daily attendance ("A.D.A.") that the grantee would have received had it been able to operate but for COVID-19.

On July 17, 2020, the Governor announced strict guidelines for reopening schools, which resulted in a majority of school districts being unable to reopen for the beginning of the 2020-21 school year. The Governor's order ("Pandemic Plan for Learning and Safe Schools") removed the closing and reopening of schools decisions from local school district officials, in consultation with county departments of health, and gave the California Department of Public Health a stronger role in establishing criteria for reopening schools. The order prohibited school districts located in counties where the coronavirus infection rated had not gone down for 14 consecutive days from reopening their campuses. The order also included a mask requirement for students and all staff, COVID-19 testing, and social distancing.

On December 30, 2020, the Governor unveiled the "Safe Schools for All Plan," pledging to work with the State Legislature to implement up to $2 billion in funding for the safe reopening of schools beginning in February 2021. Funding for the Safe Schools for All Plan was included in the Governor's 2021 State Budget Proposal, released on January 8, 2021, which urged the Legislature to take immediate action on this item, rather than waiting until implementation of the 2021 State Budget this summer. Under the proposal, schools that agreed to offer in-person instruction would receive up to $450 per student, to fund increased safety measures including testing, PPE, contact tracing, and others. The timeline for this reopening initiative largely depended on infection rates dropping below 28 per 100,000 in the county in which a school district is situated.

From March 2020 through the end of the academic year, State and local shelter-in-place orders suspended in-persons instruction in schools throughout the State. For most of the 2020-21 academic year, school districts have generally commenced instruction pursuant to the Governor's July 17, 2020 order and the State Blueprint. Pursuant to the State Blueprint, schools located in counties in Red, Orange or Yellow Tiers were permitted to have in-person instruction under certain conditions; and, K-6 schools could apply for a waiver and be permitted to conduct in-person instruction if certain criteria were satisfied. The Safe Schools for All Plan" incentivized schools to offer in-person learning by reducing the restrictions on in-person instruction and providing per pupil grant funding for schools that reopen. The Plan required school districts to continue to offer remote instruction and was dependent upon such factors as the submission of safety plans, local infection rates, ability to provide regular COVID-19 testing, and the availability of State funding.

Assembly Bill 86 ("AB 86"), which was signed by the Governor on March 5, 2021, further incentivized schools to reopen. AB 86 provides (i) $4.5 billion to be apportioned to local educational agencies ("LEAs") through the Local Control Funding Formula ("LCFF") formula for expanded learning opportunities, such as tutoring and mental health services; and (ii) $2 billion in incentive grants for LEA to return to in-person instruction on or before April 1, 2021. The apportionment is reduced by 1% for each instructional day after April 1 that the LEA does not return to in-person instruction. If in-person instruction is not provided by May 15, 2021, the LEA forfeits all funding. Once an LEA reopens for in-person instruction, it must remain open unless otherwise ordered to close by state or local health officers. School districts in the Purple Tier must offer cohort in-person instruction to all "high needs students" (which includes, among others, exceptional needs students and those eligible for free/reduced price meals, English learners, foster youth, and homeless students); and, in-person instruction to all K-2 students and high needs students. School districts in the Purple Tier that do not reopen by March 31, or do not have board-adopted reopening plans and posted COVID-19 Safety Plans on their websites, will have to conduct asymptomatic testing for staff and students per the state guidance for schools. An LEA that moves out of the Purple Tier, will not have to conduct the asymptomatic testing. LEAs that move out of the Purple Tier must provide in-person instruction to all students in all grade levels and to high needs students in their elementary schools (K-6); and offer in-person instruction in at least one full grade level and to high needs students in their middle and high schools. The incentive grants may be used for in-person instruction services, COVID-19 testing, cleaning, PPE, ventilation upgrades, among other expenses.

The 2021-22 State Budget and the Governor's Proposed 2022-23 Budget include historic levels of funding available for educational purposes and to assist school districts respond to COVID-19. See "State Funding of Education – State Budget Measures" herein.

The District cannot predict the impact that COVID-19 might have on assessed value of real property within the District, tax delinquencies, the District's finances and operations, and the economy in general. Information regarding the District's response to COVID-19 can be found in Appendix A -- "General and Financial Information of the District – General Information – COVID-19 Impact on the District" herein.

Notwithstanding the adverse impacts that COVID-19 will have on the financial condition of the State and the District, the Bonds described herein are general obligations of the District payable solely from *ad valorem* property taxes levied on taxable property within the District, unlimited as to rate or amount, and are not payable from the general fund of the District.

Additional information with respect to events surrounding 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*), the California Department of Public Health (*http://covid19.ca.gov*) and the County Public Health Services Department (*http://www.schsa.org/publichealth*). 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 website.

Changes in Economic Conditions

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, pandemic, 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, or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See "Sources of Payment for the Bonds."

Outbreaks of COVID-19 variants and the corresponding measures to prevent their spread have caused widespread unemployment and economic slow-down in the United States, the State, and the County. Such economic slow-down may lead to a general market decline in real estate values. Such a decline may cause a reduction of assessed values in the District. See "Risk Factors – COVID-19 and the Effect of COVID-19 Response on California School Districts" hereinabove for more information regarding the impact of COVID-19.

Bankruptcy and Equitable Limitations

The rights and remedies of holders of the Bonds and enforceability of the Bonds and the Paying Agent Agreement may be limited by, and are subject to, the provisions of federal bankruptcy laws, as now or hereinafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The various legal opinions delivered concurrently with the issuance of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability by bankruptcy, reorganization, moratorium, insolvency, fraudulent conveyance or other similar laws relating to or affecting the enforcement of creditors' rights, to the application of equitable principles, to the exercise of judicial discretion and to the limitation on legal remedies against public agencies in the State.

Actions could be taken in a bankruptcy of the District that could alter the principal amount, interest rate, payment terms, maturity dates, covenants, payment sources, and other terms of the

Bonds and the financing documents related to the Bonds, if the bankruptcy court determines that such alterations are fair and equitable. There may also be other possible effects of the bankruptcy of the District that could result in delays or reductions in payments of the principal and interest on the Bonds, or in other losses to the owners of the Bonds. See “The Bonds – Security- Statutory Lien” herein.

Regardless of any specific adverse determinations in a bankruptcy case of the District, the existence of a bankruptcy case could have an adverse effect on the liquidity and value of the Bonds.

Loss of Tax Exemption

As discussed under the caption “Tax Matters,” interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds as a result of acts or omissions of the District in violation of its covenants in the Paying Agent Agreement or the Tax Certificate (the District’s certificate of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds). Should such an event of taxability occur, the Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Paying Agent Agreement.

Cyber Security Risk

The District, like many other private and public entities, relies upon computer and other digital networks and systems to conduct its operations. As a recipient and provider of confidential or other electronic sensitive information, the District may be subject to cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Individuals or entities may attempt to gain unauthorized access to the District’s systems for the purposes of misappropriating information or assets, or causing operational disruption or damage. The District has not experienced a major cyber breach that resulted in a financial loss in the last five years. There was an incident of a student accessing a teacher’s device to change grades. The District maintains insurance coverage for cyber security losses should a successful breach occur.

To manage cyber threats, the District contracts with the Stanislaus County Office of Education to use a next generation firewall from Palo Alto and Wildfire services. The District uses endpoint protection, performs automated updates for client operating systems and software, utilizes email security gateways for spam, phishing and threat protection, and educates staff on cybersecurity awareness. The District is in the process of expanding use of multi-factor authentication. Notwithstanding the steps taken by the District to manage cyber threats and attacks, no assurance can be given that the District’s efforts will always be successful or that any such attack will not materially impact the District’s finances or operations. The District is also reliant on other entities and service providers, such as the County Treasurer for investment of funds, the Paying Agent in its role as paying agent, and Dale Scott & Company Inc., in its role as dissemination agent in connection with compliance with the District’s continuing disclosure obligations. No assurance can be given that the District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Owners or

Beneficial Owners of the Bonds (*e.g.*, systems related to the timeliness of payments to Owners of the Bonds or compliance with disclosure filings pursuant to the Continuing Disclosure Certificate).

STANISLAUS COUNTY INVESTMENT POOL

The following information has been provided by the Stanislaus County Treasurer-Tax Collector (the "County Treasurer"), and neither the District nor the Underwriter takes any responsibility for the accuracy or completeness thereof. Further information may be obtained from the County Treasurer.

Under California law, the District is required to pay all monies received from any source into the Stanislaus County Treasury to be held on behalf of the District. The County Treasurer has authority to implement and oversee the investment of funds on deposit in commingled funds of the Treasury.

Decisions on the investment of funds in the Treasury Pool are made by the County Treasurer and her deputies in accordance with established policy guidelines. In the County, investment decisions are governed by California Government Code Sections 53601 and 53635, *et seq*., which govern legal investments by local agencies in the State of California, and a more restrictive Investment Policy proposed by the County Treasurer and adopted by the County Board of Supervisors on an annual basis. The Investment Policy is reviewed and approved annually by the County Board of Supervisors. The County Treasurer's compliance with the Investment Policy is also audited annually by an independent certified public accountant.

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 County 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.

The investment pool policy is available from the County of Stanislaus, Office of the Treasurer-Tax Collector, *www.stancounty.com*. Neither the District nor the Underwriter has independently verified the investment pool policy information and neither guarantees the completeness or accuracy thereof. Further Information regarding the Stanislaus County investment pool policy and monthly report may be obtained by contacting the County of Stanislaus, Office of the Treasurer-Tax Collector, 1010 10th Street, Suite 2500, Modesto, California 95354, Telephone (209) 525-6388, Facsimile (209) 525-7868. The information on such website is not incorporated herein by reference thereto. A summary of the County's investment report for the month ended January 31, 2022, is shown in Appendix G – "Stanislaus County Investment Pool Monthly Report Dated January 31, 2022."

LEGAL OPINION

The validity of the Bonds and certain other legal matters are subject to the approving opinions of Lozano Smith, LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Bonds at the time of issuance substantially in the forms set forth herein as Appendix D – "Form of Opinion of Bond Counsel." Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Lozano Smith, LLP, as counsel to the District and as Disclosure Counsel to the District. Certain matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Underwriter's Counsel.

TAX MATTERS

The following discussion of federal income tax matters written to support the promotion and marketing of the Bonds was not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding federal tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Federal Tax Status. In the opinion of Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, subject, however, to certain qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof, subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bonds on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, prepayment, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of such Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, future legislative proposals could limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals or clarifications of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

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

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

Form of Bond Counsel Opinion. The form of the proposed opinion of Bond Counsel relating to the Bonds is attached to this Official Statement as Appendix D.

CONTINUING DISCLOSURE

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") not later than 290 days after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2021-22 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System ("EMMA System"). The notices of enumerated events will be filed by the District in the same manner as an Annual Report. The specific nature of the information to be contained in the Annual Report and in the notices of enumerated events is summarized under the caption

Appendix E – "Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of the District's outstanding general obligation bonds and bond anticipation notes. During the last five years, each of the annual reports to be filed with respect to the District's continuing disclosure undertakings were filed in a complete and timely manner, except the operating data for fiscal year 2018-19 was filed three days late. In order to assist it in complying with its disclosure undertakings for its outstanding bonds and the Bonds, the District has engaged Dale Scott & Company, its Financial Advisor, to serve as its dissemination agent with respect to each of its disclosure undertakings, including the Continuing Disclosure Certificate to be executed in connection with the Bonds.

NO MATERIAL 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 that (i) questions the political existence of the District; (ii) contests the District's ability to receive *ad valorem* property taxes or to collect other revenues; or (iii) contests the District's ability to issue and retire the Bonds.

The District is occasionally subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned its underlying municipal bond rating of "A+" to the Bonds, and is expected to assign its municipal bond rating of "AA" to the bonds based upon the issuance and delivery by AGM of the Policy of closing. There is no assurance the credit rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Such ratings reflect only the views of S&P and an explanation of the significance of such rating may be obtained from S&P.

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

UNDERWRITING

The Bonds are being purchased by RBC Capital Markets, LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $_________, which equals the principal amount of the Bonds of $___________, plus net original issue premium of $________, less the Underwriter's discount of $_______.

The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds (if any are purchased) and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Underwriter intends to offer the Bonds to the public at the respective offering prices set forth on the inside cover of this Official Statement. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer.

FINANCIAL ADVISOR

Dale Scott & Company Inc. is serving as Financial Advisor to the District with respect to the Bonds. The Financial Advisor has assisted the District in the matters relating to the planning, structuring, execution and delivery of the Bonds. Because of its limited participation in reviewing this Official Statement, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein.

COMPENSATION OF PROFESSIONALS

Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, Underwriter's Counsel, Underwriter, and Financial Advisor is contingent upon issuance of the Bonds.

ADDITIONAL INFORMATION

The discussions herein about the Resolution, the Paying Agent Agreement, and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the Underwriter and following delivery of the Bonds will be on file at the offices of the Paying Agent in Los Angeles, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

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

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

WATERFORD UNIFIED SCHOOL DISTRICT

By: ________________________________

Don Davis, Superintendent

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APPENDIX A

GENERAL AND FINANCIAL INFORMATION OF THE DISTRICT

The information in this section concerning the operations of the District and the District's general fund finances, its fund balances, budgets and obligations, 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 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 "Sources of Payment for the Bonds" in the front half of this Official Statement.

GENERAL INFORMATION

The District

The District is located in the San Joaquin Valley of California, about 15 miles east of Modesto and about 95 miles east of San Francisco. The District encompasses an area of approximately 38 square miles, including the city of Waterford (the "City") and the surrounding unincorporated territory in the eastern portion of the County. The City is the eighth largest city in Stanislaus County, and occupies a land area of approximately 1,100 acres and serves a population of approximately 8,944 persons.

The District served an enrollment of 1,804 students in 2019-20, 1,808 students in 2020-21, and, according to the second interim report, 1,799 students in 2021-22. The District operates eight schools including one Child Development Center with Head Start, California State Preschool and Migrant preschool classes, one primary school providing transitional kindergarten through third grade education services, one intermediate school providing fourth through sixth grade educational services, one junior high school providing seventh and eighth grade education services, two high schools (one serving grades nine through twelve, including an independent studies program, and the other an alternative continuing education school), and one adult school. The District provides regionalized special-education services for the Special Education Local Planning Area (SELPA) for moderate to severely handicapped students in grades 7-8, 9-12, and adult transition.

Administration

Board of Trustees. The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term by voters within five trustee areas. Current members of the Board of Trustees, together with their office, by trustee area, and the date their term expires, are listed below:

Name	Office	Area	Term Expires
Lisa Hawkins	President	1	December 2024
Matt Erickson	Clerk	4	December 2024
Vanessa Anderson	Member	5	December 2022
Tom Bomgardner	Member	2	December 2022
Sheila Collins	Member	3	December 2022

Source: Waterford Unified School District.

Superintendent. The Superintendent of the District is responsible for administering the day-to-day affairs of the District in accordance with the policies of the Board. Dr. Davis has served as the Waterford District Superintendent for 13 years. Prior to becoming superintendent, he served as the principal of Waterford High School and as the Assistant Superintendent of Instruction. Dr. Davis is in his 40th year of service in public education, 10 years as a teacher and coach, 30 years as an administrator.

Dr. Davis is retiring June 30, 2022. To proactively support the transition, the Board unanimously promoted Assistant Superintendent Jose Aldaco to Deputy Superintendent effective January 1, 2022, and appointed Jose Aldaco as Superintendent of the District effective July 1, 2022. Mr. Aldaco has served in the District for 23 years, as a teacher, principal of Waterford Middle (Junior High) School, Lucille Whitehead Intermediate, and as Assistant/Deputy Superintendent for 13 years. He is in his 23rd year in education, 5 years as a teacher and 18 years as an administrator.

Director of Fiscal Services. Ms. Yarbrough has served as the Director of Fiscal Services at Waterford Unified since January of 2018. Ms. Sarah Yarbrough began her career in business after she graduated with her Bachelor's Degree in Accounting from San Jose State. Ms. Yarbrough then worked as a Staff and Senior Auditor for approximately 4 years. She specialized in government entities, but mostly audited school districts. From there, Ms. Yarbrough became a supervisor at Stanislaus County Office of Education in the District Finance Department. While working at the Stanislaus County Office of Education, Ms. Yarbrough was responsible for reviewing financial reports for all the districts in Stanislaus County. She also was in charge of creating the financials for three small rural districts in Stanislaus County. Ms. Yarbrough worked at the Stanislaus County Office of Education for a little over 4 years before becoming the Director of Fiscal Services for Waterford Unified.

Sarah Yarbrough will complete her service as Director of Business Services on or before June 30, 2022, and the District began its search for a chief financial officer on March 21, 2022.

COVID-19 Impact on the District.

As a result of the outbreak of COVID-19, the District closed its schools for in-person instruction effective March 20, 2020. Because schools remained closed during the remainder of the 2019-20 school year, the District implemented remote learning. The District purchased additional Chromebooks, internet hotspots, personal protection equipment, cleaning equipment and devices; and incurred other costs to mitigate learning loss-related to COVID-19 school closures.

Pursuant to the 2020 Learning Continuity and Attendance Plan ("2020 LCA Plan"), which was adopted by the Board on September 17, 2020, the District implemented a hybrid model of instruction during the 2020-21 school year. Students attended in-person instruction according to the "A-B" cohorts to which they were assigned. Cohorting students supported physical distancing and contact tracing. Parents could elect, instead, to have their students participate in the independent study model. The 2020 LCA Plan also included the criteria that would need to be satisfied in order to re-open schools. Pursuant to the 2020 LCA Plan, District schools opened on different dates relative to meeting the 2020 LCA Plan in-person plan requirements. The TK-3 school transitioned to hybrid in-person on October 19, 2020, the 4-6 school transitioned on November 2, 2020, and the secondary schools transitioned on March 29, 2021.

At the start of the 2021-22 school year, students could enroll in either a "traditional" instructional model that provided synchronous virtual live-streamed instruction, or in an independent study home-based instructional model, until the schools returned to in-person instruction. Schools transitioned to the live in-person model utilized a "cohorting" model, in which students were assigned cohorts and rotated into the in-person classrooms, while maintaining social distancing. Throughout the school year, students had the flexibility of transitioning from the independent study model to the in-person model.

The District has adopted a comprehensive safety plan to respond to infectious diseases. Effective March 14, 2022, the District implemented the California Department of Public Health guidelines for schools and has posted the following message on all school and district offices: "The California Department of Health strongly recommends that individuals in K-12 schools continue to wear a mask in indoor settings." While no one is compelled to wear a mask indoors, anyone choosing to wear a mask is allowed to do so. Staff is required to show verification of COVID-19 vaccination or test weekly. The District will continue to follow legislative mandates related to testing and vaccinations, and California Department of Public Health guidelines.

The District is tracking the impact of COVID-19 on its finances. To date, there have been no negative impacts on the District's operations or financial conditions. The District received approximately $2,738,840 under the CARES Act and $30,036 pursuant to SB 117. In addition, the District has been allocated the following federal and state funding:

Source of Funding	Amount
COVID-19 Emergency Acts Funding:	
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	$1,958,271
Child Development CRRSA Act – One-Time Stipend	7,166
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:	
Child Nutrition Cluster	
School Breakfast Program – Needy	431,961
National School Lunch Program	649,094
USDA Commodities	66,712
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:	
Governor's Emergency Education Relief (GEER) Fund	138,923
Elementary and Secondary School Emergency Relief (ESSER) Fund	470,870
Elementary and Secondary School Emergency Relief III (ESSERIII) Fund	4,910,775
Elementary and Secondary School Emergency Relief II (ESSERII) Fund	2,185,024
Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	65,272
Total:	$10,884,068

Source: Waterford Unified School District.

Recent Enrollment Trends

The following table shows enrollment history for the District for fiscal years 2015-16 through 2020-21 and the projected enrollment through fiscal year 2022-23. The District is anticipating an increase in enrollment due to the construction of 75 single family units within Waterford's city limits.

WATERFORD UNIFIED SCHOOL DISTRICT
ANNUAL ENROLLMENT
Fiscal Years 2015-16 through 2020-21;
Projected 2021-22 through 2022-23

Year	Enrollment[1]	Annual Change	Annual % Change
2015-16	1,777	--	--%
2016-17	1,825	48	2.7
2017-18	1,788	-37	-2.0
2018-19	1,812	24	1.3
2019-20	1,804	-8	-0.4
2020-21	1,808	0	0.0
2021-22[2]	1,808	0	0.0
2022-23[2]	1,808	0	0.0

[1] *Enrollment excludes non-public schools and charter schools.*
[2] *Projected based on the fiscal year 2021-22 budget approved by the Board on June 14, 2021.*
Source: Waterford Unified School District.

Average Daily Attendance

The following tables reflect historical and projected average daily attendance ("A.D.A.") for the District. A.D.A. calculations are based on actual attendance.

WATERFORD UNIFIED SCHOOL DISTRICT
AVERAGE DAILY ATTENDANCE
Fiscal Years 2015-16 through 2020-21;
Projected 2021-22 through 2022-23

Fiscal Year	Average Daily Attendance (A.D.A.)[2]	Annual Change in A.D.A.	Local Control Funding Formula per A.D.A.[1]
2015-16	1,702	--	$9,548
2016-17	1,718	16	$10,114
2017-18	1,688	-30	$10,600
2018-19	1,727	39	$11,247
2019-20	1,724	-3	$11,780
2020-21[2]	1,724	0	$11,784
2021-22[3][4]	1,724	0	$12,885
2022-23[3][4]	1,724	0	$13,225

Note: All amounts are rounded to the nearest whole number.
[1] *Total funded LCFF apportionment divided by average daily attendance (excluding special education extended year, non-public schools, charter schools and adult education) at P-2.*
[2] *Due to the COVID-19 pandemic, A.D.A. at P-2 was not reported in fiscal year 2020-2021. Funding was based on A.D.A. in P-2 as reported in fiscal year 2019-2020.*
[3] *Estimated based on the fiscal year 2021-22 budget which was approved by the Board on June 14, 2021.*
[4] *Based on the Governor's 2022-23 Proposed Budget that permitted using the "averaging of years" approach for calculating the 2021-22 A.D.A. to determine the 2022-23 Prior Year Funding Guarantee.*

Source: Waterford Unified School District.

Employee Relations

The District employs approximately 91.6 full-time equivalent ("FTE") certificated employees, approximately 125.65 FTE classified employees and approximately 21.4 FTE management, supervisory and confidential employees. The certificated employees of the District have assigned the Waterford Teachers' Association ("WTA") as their exclusive bargaining agent. The contract between the District and WTA expires on June 30, 2025. The classified employees have assigned California School Employees Association ("CSEA") as their exclusive bargaining agent. Although the contract between the District and CSEA expires on June 30, 2022, it will remain in effect until a successor agreement is reached. The District and CSEA have initiated bargaining the 2022-23 agreement. See, "Appendix A – District Financial Information – Comparative Financial Statement."

District Retirement Systems

The information set forth below regarding the District's retirement 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 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. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

Prior to fiscal year 2014-15, the contribution rates to the STRS pension plan for employees, employers, and the State were not adjusted annually. School districts were required to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries.

In an effort to reduce the unfunded actuarial liability of STRS, the State passed legislation to increase contribution rates. Assembly Bill 1469 ("AB 1469") was signed into law by the Governor in connection with the State's adoption of the fiscal year 2014-15 budget. AB 1469 addresses the unfunded liabilities with respect to service credited to members of the STRS Defined Benefit Plan before July 1, 2014 (the "2014 Liability") by increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay, over the three-year period from 2014-15 through 2017-18. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the 2014 Liability by June 30, 2046, which is premised upon an actuarially assumed earnings rate of 7.00%. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to AB 1469, school districts' employer contribution rates increased over a seven-year phase-in period in accordance with the following schedule:

AB 1469 STRS EMPLOYER CONTRIBUTION RATES

Fiscal Year	School District Contribution Rate
2014-15	8.88%
2015-16	10.73
2016-17	12.58
2017-18	14.43
2018-19	16.28
2019-20	17.10*
2020-21	16.15*+

* The 2019-20 State Budget provided supplemental payments to STRS by the State which reduces the school district contribution rate under AB 1469.

\+ Additional supplemental payments to STRS in the 2020-21 State Budget further reduced the school district contribution rate in fiscal year 2020-21

Subsequent to the increases to the school district's contribution rates to STRS in the table above, AB 1469 requires that for 2021-22 and each fiscal year thereafter, STRS adjust the school districts' contribution rate to reflect the rate required to eliminate the 2014 Liability by July 1, 2046. The 2020-21 State Budget applied certain funds in fiscal year 2020-21 intended under the 2019-20 State Budget to reduce future obligations to STRS to the school districts' current obligations to STRS to reduce the school district's contribution rates to STRS in fiscal year 2020-21 from 18.41% to approximately 16.15% and in fiscal year 2021-2022 from 17.9% to 16.02%.

For fiscal year 2021-22, the District is required by such statutes to contribute 16.92% of eligible salary expenditures, while participants contribute either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 9.828% of teacher payroll for fiscal year 2021-22. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. Those payments consisted of State general fund contributions of approximately $1,030,708 to CalSTRS. The District's contribution rate for STRS for the year ending June 30, 2021 is 16.15% of gross salaries; and its contribution to STRS is $1,564,143.

PERS. All classified employees working four or more hours participate the Public Employees' Retirement System ("PERS"), a cost-sharing multiple employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. The District is part of a "cost-sharing" pool within PERS. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each.

On April 19, 2017, the Board of Administration of PERS adopted new contribution rates for school districts. The revised contribution rates are, as were the previous contribution rates, based on certain demographic assumptions adopted by the Board of Administration in February 2014 which took into account longer life spans of public employees from previous assumptions. Such demographic assumptions generally increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and were phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. PERS estimated that the new demographic assumptions would cost public agency employers up to 5% of payroll for miscellaneous employees at the end of the five-year phase in period. To the extent, however, that current and future experiences differ from PERS' assumptions, the required employer contributions may vary. The 2017-18 contribution rate also took into account increased payroll over 2016-17, a lowered discount rate (which was approved in December 2016) as well as lower than predicted investment returns in prior years. As a result of payments to be made by the State as part of the 2019-20 State Budget, the estimated future employer contribution rates to PERS were again revised downward for fiscal years 2019-20 through 2025-26 but remain subject to annual adoption by the PERS Board.

On April 21, 2020, the PERS Board set the fiscal year 2020-21 employer contribution rate at 22.68%. The contribution rate reflected an initial actuarially determined rate of 23.35% that had been reduced by 0.67% after reflecting part of the State contribution. The Board of Administration of PERS also approved a continuation of the current 7.00% employee contribution rate for fiscal year 2020-21 for school employees subject to the Public Employees' Pension Reform Act of 2013 described below. Subsequent to the PERS Board's action, the fiscal year 2020-21 budget for the State provided supplemental payments to PERS which further reduces the employer contribution rate in fiscal year 2020- 21 from 22.68% to 20.7% and in fiscal year 2021-22 from 24.6% to 22.84%.

On April 19, 2021, the PERS Board set the fiscal year 2021-22 employer contribution rate at 22.91% which reflects a State contribution of 2.16% pursuant to the State budget for fiscal year 2019-20. The PERS Board also approved maintenance of the 7.00% employee contribution rate for 2021-22. PERS has maintained a 7.00% assumed earnings rate.

The District's contribution rate for PERS for the year ending June 30, 2021 is 20.7% of gross salaries; and its contribution to PERS is $1,005,772.

State Pensions Trusts

Both the PERS and STRS systems are operated on a statewide basis, and both have substantial State unfunded liabilities. Those unfunded liabilities are due to insufficient participant contributions, and significant investment losses.

The STRS Board has sole authority to determine the actuarial assumptions and valuation method for the STRS defined benefit program. In an effort to reduce the unfunded actuarial liability of STRS, the State passed AB 1469 (discussed above) to increase the contribution requirements of STRS members, employers, and the State.

The PERS Board of Administration (the "PERS Board") has taken several steps to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool. Over several years, the PERS Board lowered the PERS' rate of expected price inflation and its investment rate of return; increased the contribution rates of active members hired after January 1, 2013, under Assembly Bill 340 ("AB 340") (discussed below); approved new actuarial policies that were aimed at returning PERS to fully funded status within 30 years; approved new demographic assumptions; and approved a new actuarial amortization policy.

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 PERS and STRS for the State as of July 1, 2020.

FUNDED VALUATION AND RATIO
STRS (Defined Benefit Program)
(Dollar Amounts in Millions) (1)

Actuarial Obligation	$322,127
Fair Market Value(2)	233,253
Actuarial Value of Assets(2)	235,377
Unfunded Actuarial Obligation	105,875
Funded Ratio	67.1%

(1) Amounts may not add due to rounding.
(2) Includes the Supplemental Benefit Maintenance Account (SBMA) of $19,125.

Source: Defined Benefit Program of the California State Teachers' Retirement System, June 30, 2020 Actuarial Valuation.

FUNDED VALUATION AND RATIO
PERS (Schools Plan)
(Dollar Amounts in Millions) (1)

Actuarial Obligation	$104,062
Fair Market Value(2)	71,400
Unfunded Actuarial Obligation	32,662
Funded Ratio	68.6%

(1) Amounts may not add due to rounding.

Source: PERS Schools Pool Actuarial Valuation as of June 30, 2020..

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. 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 AB 340, which enacted the California Public Employee's Pension Reform Act of 2013 ("PEPRA"), 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, PEPRA 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 to 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, PEPRA 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, PEPRA 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 (currently 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 and benefit base for members participating in Social Security or 120% for members not participating in social security, 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.

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

Effect of COVID-19 on STRS and PERS. For information regarding economic volatility caused by COVID-19, see "Risk Factors" hereinabove. The District cannot determine whether such volatility might impact the value of investments held by either PERS or STRS to fund retirement benefits or whether the District's contribution rates to PERS or STRS might increase in the future as a result of any declines in the value of investments in response to the outbreak of COVID-19.

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 Statements 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 (previously, 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 Statements, 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.

As of June 30, 2021, the District's reported proportionate share of the net pension liabilities, pension expenses, deferred outflow of resources, and deferred inflow of resources for STRS and PERS follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$17,667,465	$5,372,089	$544,065	$2,601,500
PERS Pension	9,685,432	1,797,743	--	1,974,630
Total	$27,352,897	$7,169,832	$544,065	$4,576,130

Source: Waterford Unified School District.

For better information about the District's contributions to STRS and PERS, see, "Appendix B – Waterford Unified School District Audit Report, June 30, 2021 – Note 11" herein.

Risk of Investment Value Declines

School districts' retirement contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot determine whether current financial market losses and/or volatility might impact the value of investments held by either PERS or STRS to fund retirement benefits or whether the District's contribution rates to PERS or STRS might increase in the future as a result of any declines in the value of investments in response to the outbreak of COVID-19. See also "Risk Factors - COVID-19 Outbreak and its Economic Impact" herein for information regarding the outbreak of COVID-19.

Post-Employment Healthcare Benefits

The District does not provide post-employment healthcare benefits to its employees.

Risk Management

The District participates in the Central Region School Insurance Group ("CRSIG"), a joint powers authority. CRSIG provides workers' compensation, property and liability insurance for the District. The District pays a premium commensurate with the level of coverage insurance requested. The relationship between the District and CRSIG is such that CRSIG is not a component unit of the District for financial reporting purposes. See also "Appendix B – Waterford Unified School District Audit Report, June 30, 2021 – Note 10" hereto.

The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverage for property damage, fire and theft, general public liability and worker's compensation as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for self-insured claims are adequate.

District Debt

The following table summarizes the District's outstanding long-term liabilities as of June 30, 2021:

	Balance on June 30, 2021	Balance Due In One Year
Governmental Activities		
General Obligation Bonds[1]	$1,285,346	$670,000
Bond Anticipation Notes[2]	5,420,741	--
Unamortized Premium	18,998	9,499
Total Bond Revenue Anticipation Notes	5,439,739	9,499
Compensated Absences[3]	7,037	7,037
California Energy Commission Loan[4]	440,432	36,703
Net Pension Liability	27,352,897	--
Total	$34,525,451	$723,239

(1) Payments for General Obligation Bonds are made in the Bond Interest and Redemption Fund.
(2) Payments for the Bond Anticipation Notes are made in the Building Fund.
(3) Payments for the California Energy Commission Loan are made in the General Fund.
(4) Payments for Compensated Absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.
Source: Waterford Unified School District.

General Obligation Bonds. Pursuant to a special election of the qualified electors within the Waterford Elementary School District on March 7, 1995, the District received authorization to issue $3,100,000 principal amount of general obligation bonds for the purpose of acquiring land and constructing school facilities. And, pursuant to a special election of the qualified electors within the District held on June 3, 1997, the District received authorization to issue $3,500,000 principal amount of general obligation bonds for the purpose of building a high school. Pursuant to the District's aggregate authorization of $6,600,000 (the separate authorizations were merged through a reorganization of the District), the District issued its 1997 Election, Series A, General Obligation Bonds, in the principal amount of $6,599,661.35, on April 23, 1998 (the "1997 Election, Series A Bonds").

At an election of the qualified electors within the District on November 8, 2016, the eligible voters within the District approved the issuance of not to exceed $10,650,000 principal amount of general obligation bonds (the "2016 Authorization"). The Bonds are the first and only series of general obligation bonds issued pursuant to the 2016 Authorization.

Bond Anticipation Notes. The District issued the Bond Anticipation Notes (the "Notes") on April 4, 2019 in the principal amount of $5,136,430.75. The Bonds are being sold to repay the Notes at maturity on August 1, 2022.

Combined General Obligation Bond Debt Service. The principal and interest payments for the District's outstanding general obligation bonds issued pursuant to its authorizations are set forth in the following tables.

COMBINED GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE
Waterford Unified School District

Year Ending June 30	1997 Election, Series A	2016 Election, Series A	Total
2022	$670,000.00		
2023	685,000.00		
2024	--		
2025	--		
2026	--		
2027	--		
2028	--		
2029	--		
2030	--		
2031	--		
2032	--		
2033	--		
2034	--		
2035	--		
2036	--		
2037	--		
2038	--		
2039	--		
2040	--		
2041	--		
2042	--		
2043	--		
2044	--		
2045	--		
2046	--		
2047	--		
2048	--		
2049	--		
Total	$1,355,000.00		

California Energy Commission Loan. The District entered into a loan agreement with the California Energy Commission ("CEC") during the 2017-18 fiscal year. The loan proceeds were used for energy efficiency projects within the District. The loan has a zero percent interest rate, and the District commenced repayment in the 2018-19 fiscal year. Proceeds from the first draw-down request (in the amount of $485,267) were received during the 2017-18 fiscal year, and the second draw-down request (in the amount of $64,914) was received in October 2018. Future minimum payments for the CEC loan are as follows:

Year Ended June 30	Payment
2022	$36,703
2023	36,703
2024	36,703
2025	36,703
2026	36,703
2027–2031	183,513
2032–2034	73,404
Total	$440,432

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and 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 from the proceeds of an ad valorem property tax required to be levied in the District by the County in an amount sufficient for the payment thereof. See "Sources of Payment for the Bonds" in the front half of this Official Statement.

Accounting Practices

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

The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources, and all related liabilities, obligations, and equities. The major fund classification is the general fund which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30. All governmental funds are maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, that is, both measurable and available to finance expenditures for the current period. For more information on the District's accounting method, see Appendix B – "Waterford Unified School District Audit Report, June 30, 2021" – Note 1 – Significant Accounting Policies".

GASB published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments, and special purpose governments such as school districts and public utilities, on requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include: (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting; (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting; and (iv) required supplementary information. The District implemented Statement No. 34 for the fiscal year 2001-02 audited financial statements.

Effective beginning in fiscal year 2014-2015, GASB published its Statement No. 68 "Accounting and Financial Reporting for Pensions." Statement No. 68 requires state and local governments, and special purpose governments such as school districts and public utilities providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

Effective beginning in fiscal year 2017-18, GASB published its Statement No. 75 "Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions." Statement No. 75 provides accounting and financial guidance for governments that provide Other Postemployment Benefits (OPEB) to their employees, and significantly alters the measurement and reporting standards previously in place under GASB 45. Statement No. 75 requires full recognition of the total OPEB liability on the balance sheet instead of as a note disclosure, bringing more focus onto OPEB liabilities and related deferred outflows/inflows.

Budget Process

The District is required by provisions of the State 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. Under current law, the governing board of the school districts must adopt a budget on or before July 1 of each year, and file the adopted budget with the county superintendent of schools within five days of adoption or by July 1, whichever occurs first.

On or before September 15, the county superintendent of schools will approve, conditionally approve, or disapprove the adopted budget for each school district. The county superintendent of schools is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees, and identify technical corrections necessary to bring the budget into compliance. The county superintendent of schools is also required to determine if the adopted budget allows the district to meet its current financial 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.

In the event the county superintendent of schools conditionally approves or disapproves the school district's budget, the county superintendent of schools will submit its recommendations for revisions and reasons for the recommendations to the school district's governing board by September 15. Any recommendations made by the county superintendent must be made available by the district for public inspection. And, no later than October 22, the county superintendent of schools must notify the State Superintendent of Public Instruction (the "State Superintendent") of all school districts whose budgets have been disapproved.

For a school district whose budget has been disapproved, the governing board of the school 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 of school's recommendations. The county superintendent of schools must determine if the revised budget conforms with the standards and criteria applicable to final school district budgets and, not later than November 8, will approve or disapprove the revised budget. If the revised budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a school district's budget is approved, the school 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. By December 31, every school district must have an adopted budget, or the county superintendent of schools may impose a budget and will report the school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent of schools will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine if the school district can meet its current or subsequent year financial obligations on an ongoing basis. If the county superintendent of schools determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent of schools will notify the school district's governing board, the State Superintendent and the president of the State Board of Trustees (or the president's designee) of the determination and take at least one of the following actions (and all actions that are necessary to ensure that the school district meets its financial obligations): (a) develop and impose, after also consulting with the State Superintendent and the governing board of the school district, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year; (b) stay or rescind any action inconsistent with the school district's ability to meet its obligations for the current or subsequent fiscal year; (c) assist in developing, in consultation with the governing board of the school district, a financial plan that will enable the school district to meet its future obligations; (d) assist in developing, in consultation with the governing board of the school district, a budget for the subsequent fiscal year; and (e) appoint a fiscal advisor to perform the aforementioned duties, as necessary.

In addition, the county superintendent of schools will make a report to the State Superintendent and the president of the State Board of Trustees (or the president's designee) about the financial condition of the school district and the remedial actions proposed by the county superintendent of schools. The county superintendent of schools may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent of schools assumed authority.

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

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

District's Adopted Budget and Interim Certification. All available financial records indicate that the District has never had an adopted budget disapproved by the County Superintendent of Schools, and has received a "positive" certification for both report periods in fiscal year 2013-14 through the second report period in 2021-22.

The District's 2020-21 and 2021-22 Budgets

The budget for the 2020-21 fiscal year was adopted by the Board on June 11, 2020, and the budget for the 2021-22 fiscal year was adopted by the Board on June 14, 2021. In preparing the District's 2020-21 and 2021-22 budgets, the District followed guidelines provided by School Services of California, Stanislaus County Office of Education, and its internal budget assumptions. In addition, the budget for the 2020-21 fiscal year was based on the Local Continuity Plan (LCP), and the budget for the 2021-22 fiscal year was based on the Local Control Accountability Plan (LCAP). The District's budgets, interim reports, and certifications are available on District's website using the following link: *www.waterford.k12.ca.us*, and from the office of Business Services, 219 North Reinway Avenue, Building 2, Waterford, California 95386. The information set forth on such website is not incorporated herein by reference thereto. The District may impose a charge for copying, mailing, and handling.

Comparative Financial Statements

The District's Audited Financial Statements for the fiscal year ended June 30, 2021, were prepared by Christy White, Certified Public Accountants, San Diego, California (the "Auditor"). Audited financial statements for the District for the fiscal year ended June 30, 2021, and prior fiscal years are on file with the District and available for public inspection in the Business Services Department. See Appendix B – "Waterford Unified School District Audit Report, June 1, 2021." Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

The District considers its audited financial statements to be public information, and accordingly, no consent has been sought or obtained from the auditor in connection with the inclusion of such statements in this Official Statement. The auditor has made no representation in connection with inclusion of the audit in the Official Statement.

The following tables show the audited revenue and expenditure statements for the District's general fund for fiscal years 2016-17 through 2020-21; and the District's adopted budget, first interim and second interim reports for fiscal year 2021-22. See, "District Financial Information – State Budget Measures" herein.

WATERFORD UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance for Fiscal Years 2016-17 through 2020-21 (Audited)

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21
REVENUES					
LCFF Sources	$17,897,531	$18,309,023	$20,006,597	$20,871,773	$20,795,377
Federal Sources	1,433,156	1,380,379	1,366,308	1,456,791	4,121,104
Other State Sources	1,784,591	1,718,903	2,667,199	2,023,433	2,562,152
Other Local Sources	3,854,732	4,080,983	4,051,464	4,056,416	4,646,847
Total Revenues	$24,970,010	$25,489,288	$28,091,568	$28,408,413	$32,125,480
EXPENDITURES					
Current:					
Instruction	$14,177,065	14,589,341	$15,920,282	$16,565,015	$18,193,166
Instruction-Related Services:					
Instructional Supervision and Administration	717,413	741,461	770,092	877,141	861,930
Instructional Library, Media, and Technology	62,534	65,440	187,167	75,458	65,796
School Site Administration	1,297,485	1,403,710	1,358,127	1,450,360	1,588,484
Pupil Services:					
Home-to-School Transportation	402,935	435,557	453,817	477,583	498,598
Food Services	1,736	3,472	12,528	263	4,726
All Other Pupil Services	864,302	1,071,714	1,339,171	1,498,193	1,436,772
General Administration:					
Centralized Data Processing	179,433	199,080	206,722	205,296	307,124
All Other General Administration	1,415,060	1,470,150	1,732,551	1,756,122	1,425,481
Plant Services	1,878,273	1,961,080	2,025,885	2,255,908	2,283,963
Facilities Acquisition and Maintenance	960,048	193,279	197,121	180,907	413,881
Ancillary Services	203,770	223,280	236,352	246,648	200,769
Community Services	231,614	285,258	251,925	229,780	235,158
Transfers to Other Agencies	2,335,353	2,261,218	2,049,359	1,787,569	1,704,195
Debt Service:					
Principal	--	--	36,703	36,703	36,703
Interest and Other	--	--	--	--	--
Total Expenditures	$24,727,021	$24,904,040	$26,777,802	$27,642,946	$29,256,746
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$242,989	$585,248	$1,313,766	$765,467	--
OTHER FINANCING SOURCES (USES)					
Transfers In	--	--	--	--	--
Other Sources	--	--	--	--	--
Transfers Out	(364,458)	(514,846)	(446,046)	--	--
Net Financing Sources (Uses)	$(364,458)	$(514,846)	$(446,046)	$ --	$ --
NET CHANGE IN FUND BALANCE	(1,113,946)	(656,719)	867,720	765,467	2,868,734
Fund Balance – Beginning	$5,176,929	$4,062,983	$4,569,639	$5,437,359	$6,327,700[1]
Fund balance – Ending	$4,062,983	$3,406,264	$5,437,359	$6,202,826	$9,196,434

(1) The beginning balance for fiscal year 2020-21 was restated to reflect the reclassification of ASB funds per GASB 84. See Appendix B – Audit Report, June 30, 2021 - Footnote 14.

Source: Waterford Unified School District.

WATERFORD UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
Adopted Budget, First Interim Report and Second Interim Report for Fiscal Year 2021-22

	Adopted Budget 2021-22	First Interim Report 2021-22	Second Interim Report 2021-22
REVENUES			
LCFF Sources	$21,860,808.00	$22,606,261.00	$22,725,485.00
Federal Sources	1,463,756.00	2,406,049.00	2,393,542.00
Other State Sources	459,319.00	840,820.00	2,202,433.00
Other Local Sources	4,716,59.00	4,722,136.00	4,751,985.00
Total Revenues	$28,500,422.00	$30,575,266.00	$32,073,445.00
EXPENDITURES			
Certificated Salaries	10,758,231.00	11,611,655.00	10,588,102.00
Classified Salaries	5,016,118.00	5,134,770.00	5,125,179.00
Employee Benefits	6,081,304.00	6,340,967.00	5,974,441.00
Books and Supplies	1,428,454.00	2,105,788.00	2,048,536.00
Services and Other Operating Expenditures	4,937,255.00	5,244,249.00	5,374,174.00
Capital Outlay	491,500.00	1,108,530.00	1,315,440.00
Other Outgo (excluding Transfers of Indirect Costs)	1,942,270.00	1,942.270.00	1,930,667.00
Other Outgo – Transfers of Indirect Costs	(65,364.00)	(79,410.00)	(96,443.00)
Total Expenditures	$30,589,768.00	$33,408,819.00	$32,260,096.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,089,346.00)	(2,833,553.00)	(186,651.00)
OTHER FINANCING SOURCES/USES			
Transfers In			
Transfers In	--	--	--
Transfers Out	--	1,400,000.00	800,000.00
Other Sources/Uses			
Sources	--	--	--
Uses	--	--	--
Contributions	--	--	--
Total Other Financing Sources/Uses	--	($1,400,000.00)	($800,000.00)
NET CHANGE IN FUND BALANCE			
Fund Balance – Beginning	$15,394,208.86	$15,394,208.86	$15,394,208.86
Fund balance – Ending	$13,304,862.86	$11,160,555.86	$14,407,557.86

Source: Waterford Unified School District.

Limit on School District Reserves

State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's A.D.A. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. First, beginning in 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the State's minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. Second, in a year immediately following a deposit into the Public School System Stabilization Account established in the State General Fund (See Appendix A – "General and Financial Information of the District–Constitutional and Statutory Provisions Affecting District Revenues and Appropriations – Propositions 98 and 111," below), a school district's adopted or revised budget may not contain an ending fund balance that is two to three times higher than the State's minimum recommended reserve for economic uncertainties. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period.

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The Public School System Stabilization Account appears to be intended to provide a substitute for local reserves in the event of a future economic downturn. However, there is no linkage between the sizes of the State reserves and local reserves.

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 immediate after a fiscal year in which the amount of moneys in the Public School System Stabilization Account 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, which are now referred to as "community funded districts," and small school districts having fewer than 2,501 units of average daily attendance.

The District is required to maintain a reserve for economic uncertainties at least equal to 3% of general fund expenditures. As of June 30, 2021, the District had available reserves of $6,153,805. The total available reserves represent 21.0% of general fund expenditures and other financing uses.

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.

Previously, school districts operated under general purpose revenue limits established by the State Department of Education. Each school district was determined to have a target funding level which consisted of a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. The amount of State funding allocated to each school district was generally the amount needed to reach that district's base revenue limit after taking into account certain other revenues, such as local property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit received no State equalization aide, and received only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aide were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts" (as defined herein). The District is a LCFF district.

The adoption of the 2013-14 State Budget and its related legislation included significant reforms to education financing in the State. Beginning in fiscal year 2013-14, school districts are being funded based on uniform funding grants assigned to certain grade spans. Under the LCFF, the emphasis shifted from funding based largely on A.D.A. and the revenue limit with numerous State-mandated categorical programs, to a locally-controlled system with a funding formula which attempts to better meet the needs of students, specifically low-income and English language learners who may require more support in order to be successful in school. In addition, the LCFF provides local school officials with the ability to decide how best to meet the needs of their students. See "Revenue Sources - Local Control Funding Formula," below.

Revenue Sources.

The District categorizes its general fund revenues into four sources: (i) LCFF sources (consisting of a mix of State and local revenues); (ii) federal revenues; (iii) other State revenues; and (iv) other local revenues. Each of these revenue sources is described below.

Local Control Funding Formula. Legislation adopted in connection with the State's 2013-14 budget included the implementation of the LCFF, which changed the formula by which school districts in California receive State funding. Shifting from a State-controlled system that emphasized inputs (largely in the form of categorical funding which required funds to be spent on specific projects and programs), the LCFF implements a locally-controlled system in which local agencies decide the best way to spend funds, focused instead on improved outcomes. In exchange for local control, school districts will be required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received.

The LCFF affects how much funding a district will receive, but generally not the source of such funding (i.e., its share of local property taxes together with the State funding provided in the LCFF). It changes the State funding system for school districts, charter schools and county offices of education by, among other changes, consolidating most categorical programs with the existing revenue limit structure to provide a new student formula (to be phased in over a span of eight fiscal years), and implementing supplemental and concentration grants to English language learners and economically disadvantaged students. The LCFF includes the following components:

- A base grant for each local education agency.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 65% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

For fiscal year 2018-19, the base rates per unit of A.D.A. for each grade span are as follows: (i) $7,459 for grades K-3; (ii) $7,571 for grades 4-6; (iii) $7,796 for grades 7-8; and (iv) $9,034 for grades 9-12. For fiscal year 2019-20, the base rates per unit of A.D.A. for each grade span are as follows: (i) $7,702 for grades K-3; (ii) $7,818 for grades 4-6; (iii) $8,050 for grades 7-8; and (iv) $9,329 for grades 9-12. The base rates for grades K-3 and 9-12 were increased to cover the costs of class size reduction in the early grades and to support college and career readiness programs in high schools. (Under full implementation of the LCFF, as a condition of receiving the K–3 base-rate adjustment, school districts must maintain a K–3 school–site average class size of 24 or fewer students, unless collectively bargained otherwise.) These target base rates are to be updated each year for cost–of–living adjustments (COLAs). For fiscal year 2020-21, no cost-of-living-adjustment was included in LCFF funding as a result of the decrease in State revenues budgeted due to the COVID-19 pandemic's impact on the State economy. See, "State Funding of Education - 2020-21 State Budget" herein.

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 ("FRPM") and are not discussed separately herein). A supplemental grant add-on (each, a "Supplemental Grant") is authorized 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 65% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The District has a high proportion of English language learners, students from low-income families and foster youth (81.2% in 2018-19, 83.98% in 2019-20, and 85.8% in 2020-21). The District received LCFF funding in the amount of $19,423,787 for 2018-19, $20,308,497 for 2019-20, and $20,315,860 for 2020-21, and is projected to be $22,216,981 for 2021-22, based on LCFF gap funding at 100%. There are many variables which still remain to be finalized with respect to the LCFF model of education finance and the District is unable to predict at this time all of the impacts that this change in education funding will have on its finances.

The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2017-18 through 2021-22, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education and District-funded county program students, but excludes adult education; however, the District has experienced actual enrollment in 2020-21 that is lower than originally projected.

WATERFORD UNIFIED SCHOOL DISTRICT
(Stanislaus County, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2017-18 through 2021-22

		A.D.A./Base Grant Enrollment					Enrollment	
Fiscal Year		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	Unduplicated % of EL/LI Students
2017-18	A.D.A. [2]:	519.70	372.25	251.20	615.20	1,758.65	1,792	79.84%
	Target Base Grant[3][4]:	$7,193	$7,301	$7,518	$8.712	$13,706,398		
2018-19	A.D.A. [2]:	539.04	341.73	249.97	622.56	1,753.30	1,834	81.22%
	Target Base Grant[3][5]:	$7,459	$7,571	$7,796	$9,034	$14,180,910		
2019-20	A.D.A. [2]:	539.49	345.06	250.79	617.12	1,751.46	1,826	83.98%
	Target Base Grant[3][6]:	$7,702	$7,818	$8,050	$9,329	$14,621,101		
2020-21	A.D.A. [2]:	542.95	349.69	242.77	612.82	1,748,23	1,828	84.44%
	Target Base Grant[3][7]:	$7,702	$7,818	$8,050	$9,329	$14,586,974		
2021-22[1]	A.D.A. [2]:	542.95	349.69	242.77	612.82	1,748.23	1,818	85.50%
	Target Base Grant[3][8]:	$8,093	$8,215	$8,458	$9,802	$15,327,008		

(1) Figures are projections.

(2) Funded A.D.A. for the school year, generally based on the second period of attendance in mid-April and includes non-public school A.D.A. and special education extended year A.D.A. The A.D.A. in this table includes special education extended year A.D.A. and non-public schools A.D.A. For the 2019-20 school year, due to the outbreak of COVID-19, P-2 A.D.A. only reflects full school months from July 1, 2019 through February 29, 2020. See "Risk Factors – COVID-19 and the Effect of COVID-19 Response on California School Districts" herein.

(3) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF.

(4) Targeted fiscal year 2017-18 Base Grant amounts reflect a 1.56% cost of living adjustment from targeted fiscal year 2016-17 Base Grant amounts.

(5) Targeted fiscal year 2018-19 Base Grant amounts reflect a 3.70% cost of living adjustment from targeted fiscal year 2017-18 Base Grant amounts.

(6) Targeted fiscal year 2019-20 Base Grant amounts reflect a 3.26% cost of living adjustment from targeted fiscal year 2018-19.

(7) Targeted fiscal year 2020-21 Base Grant amounts reflect a 0% cost of living adjustment from targeted fiscal year 2019-20.

(8) Targeted fiscal year 2021-22 Base Grant amounts reflect a 5.07% cost of living adjustment from targeted fiscal year 2020-21.

Source: Waterford Unified School District.

All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans to identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate. County superintendents will review and provide support to the school districts under their jurisdiction, and the Superintendent of Public Instruction will perform a corresponding role for county offices of education. In addition, the 2013-14 State budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their accountability plans.

The State will continue to produce an Academic Performance Index for schools and subgroups of students, measure student achievement through statewide assessments, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

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

Other State Revenues. In addition to State funding determined pursuant to the LCFF, the District receives other State revenues that consist primarily of restricted revenues for the implementation of a majority of State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions for a majority of State mandated programs were eliminated, and funding for those programs was incorporated into the LCFF. However, because categorical funding for certain programs was excluded from the LCFF, school districts will continue to receive restricted State revenues to fund those programs.

The District receives State aid from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional material. Lottery revenues generally comprise less than 2% of general fund revenues.

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

State Budget Process

The State Constitution requires the Governor to propose a budget to the State Legislature no later than January 10 of each year and, in a process known as the "May Revise," the Governor resubmits the proposed budget based upon the latest economic forecasts by May 14. The State Constitution requires the Legislature to adopt a final budget no later than June 15. The latter deadline was frequently missed when passage of the budget required a 2/3 majority of each house of the Legislature. Proposition 25, which was approved by the voters in November 2010, allowed the Legislature to pass the budget by a simple majority vote. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. School district budgets must be adopted by the district's governing board by July 1 and then revised within forty-five (45) days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget.

Possible Delays in Apportionments

If the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding may be treated differently. In 2002, a California Court of Appeal held in *White v. Davis* (also referred to as *Jarvis v. Connell*) that the State Controller cannot disburse State funds after the beginning of the fiscal year until the adoption of the budget bill or an emergency appropriation, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State constitution, such as appropriations for salaries of elected State officers, or (iii) required by federal law, such as payments to State workers (but at no more than minimum wage). The court specifically held that pre-budget disbursements of Proposition 98 funding for school districts are invalid. In 2003, the California Supreme Court upheld the decision of the Court of Appeal. During the 2003-04 State budget impasse, the State Controller nonetheless treated revenue limit apportionments to school districts as continuous legislative appropriations under statute. The State Controller did not disburse certain categorical and other funds to school districts until the 2003-04 budget act was enacted.

Prior Years' Budgeting Techniques

Commencing in fiscal year 2008-09, as a result of declining revenues and fiscal difficulties, the State undertook a number of budgeting strategies, which had subsequent impacts on local agencies within the State. Such techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions (i.e., budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met), and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. There can be no certainty that budget-cutting strategies such as those implemented in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize. See, "State Budget Measures –Fiscal Year 2020-21 State Budget" for measures being implemented by the State during fiscal year 2020-21 that affect State funding for school districts.

State Budget Measures

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

2021-22 State Budget. On July 12, 2021, Governor Newsom signed legislation which enacted the budget for the State for fiscal year 2021-22 (the "2021-22 State Budget"). The 2021-22 State Budget projected approximately $175.3 billion in general fund revenues with a prior year balance of $28.2 billion for total resources of $203.6 billion, and $196.4 billion in expenditures for fiscal year 2021-22. For fiscal year 2020-21, the 2021-22 State Budget included $194.3 billion in resources (an increase of over $54.6 billion from the 2020-21 State Budget) and $166 billion in expenditures. The 2021-22 State Budget projected $25.2 billion in reserves including $15.8 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund) for fiscal emergencies, $900 million in the Safety Net Reserve, $4.5 billion in the PSSSA, and an estimated $4 billion in the State's operating reserve. The $4.5 billion balance in the PSSSA in fiscal year 2021-22 was projected to trigger the 10% cap on school district reserves beginning in fiscal year 2022-23. . See, "Constitutional and Statutory Provisions Affecting District Revenues and Appropriations – Propositions 98 and 111; Proposition 2" herein.

The 2021-22 State Budget requires that all districts return to full-time in-person instruction for the 2021-22 school year. This mode of instruction will be the default model for all students, and one of only two ways in which local educational agencies can earn state apportionment funding in fiscal year 2021-22. To provide local educational agencies with an option to generate state funding by serving students outside the classroom, the 2021-22 State Budget also requires school districts and county offices of education to provide students with an independent study option and includes a series of improvements to the State's existing independent study programs.

The 2021-22 State Budget prioritized one-time spending over ongoing spending, allocating 85% of discretionary funds to one-time spending. The 2021-22 State Budget provided relief to families and small businesses by expanding the Golden State Stimulus to provide $600 tax refunds to middle-class families with an adjusted gross income of $75,000 or less as well as $500 to qualified families and $1.5 billion to the Small Business COVID-19 Relief Grant Program. In order to increase equity, access and affordability to public higher education, the 2021-22 State Budget increased the base budget for both the University of California and California State University by 5% and funds $500 base deposits to college savings accounts for all public school students from low-income families, English learners, and foster youth. To combat homelessness, the 2021-22 State Budget provided approximately $12 billion over two years, including $5.8 billion for Project Homekey to expand the portfolio of housing.

The 2021-22 State Budget also addressed environmental matters facing California. The 2021-22 State Budget authorized $958 million to advance wildfire prevention and forest resilience investments and funded an additional 30 fire crews. $5.1 billion was included over four years for water resilience and drought preparedness and response to support safe drinking water, wastewater and water conveyance infrastructure and other water programs. The 2021-22 State Budget commits $2.7 billion in fiscal year 2021-22 and $3.9 billion over three years for zero-emission vehicle and infrastructure investments.

With respect to K-12 education, the 2021-22 State Budget included total funding of $123.9 billion ($65.5 billion general fund and $58.4 billion other funds) for all K-12 education programs. The 2021-22 State Budget estimated Proposition 98 funds of $79.3 billion in fiscal year 2019-20, $93.4 billion in fiscal year 2020-21 and $93.7 billion in fiscal year 2021-22. For K-12 schools, that resulted in Proposition 98 per pupil spending of $13,976 in 2021-22, a $3,322 increase over the 2020-21 per pupil spending levels. 38 Additionally, in the same period, per pupil spending from all sources increased to $21,555.

Additional significant provisions of the 2021-22 State Budget relating to K-12 education include the following:

- Local Control Funding Formula. The 2021-22 State Budget included a compounded LCFF COLA of 4.05%, representing a backfilled fiscal year 2020-21 COLA of 2.31% and a fiscal year 2021-22 COLA of 1.70%. Also included was $520 million to provide a 1.00% increase in LCFF base funding which resulted in an increase in LCFF funding of 5.07% over 2020-21 levels. In order to increase the number of adults providing direct services to students, an on-going increase of $1.1 billion to the LCFF concentration grant, increasing the concentration grant from 50% to 65% of the LCFF base grant, was included, as well.

- Deferrals. The State budget for fiscal year 2020-21 deferred approximately $1.9 billion in K-12 apportionments in fiscal year 22019-20, growing to more than $1.1 billion in fiscal year 2020-21, The 2021-22 State Budget eliminates all K-12 deferrals in fiscal year 2021-22.

- Universal Transitional Kindergarten – Incrementally establish universal transitional kindergarten for four-year-old children, phased-in over five years, with full implementation by 2025-26, and $200 million in one-time Proposition 98 funds for planning and implementation grants and $100 million one-time Proposition 98 funds to train and increase the number of early childhood educators.

- Student Support - $3 billion in Proposition 98 general funds, available over several years, to expand the community school model in communities with a high level of poverty to provide integrated health, mental health and social services alongside high-quality, supportive education. $547.5 million in one-time Proposition 98 funds for the AG Completion Improvement Grant Program, to assist high schools students, particularly those eligible for free and/or reduced price meals, English learners, and foster youth, to graduate having completed certain admission classes for the California State University and University of California systems.

- Expanded Learning Time - $1.8 billion in Proposition 98 funds as a part of a multi-year plan to implement expanded-day, full-year instruction and enrichment for all elementary school students, with a focus on the school districts with the highest concentrations of low-income students, English language learners, and youth in foster care.

- Educator Preparation, Retention and Training - $1.5 billion in Proposition 98 funds for the Educator Effectiveness Block Grant and $250 million in Proposition 98 funds to provide incentive grants to attract and retain National Board Certified teachers to teach in high poverty schools, serve as mentors for other instructional staff, and support teachers in pursuing National Board certification. $500 million to support 25,000 grants for teacher credential candidates who commit to teach at a priority school, in a high-need subject matter area, for four years and $350 million in Proposition 98 funds to support teacher preparation residencies and other teacher credentialing programs.

• Universal School Nutrition - $54 million to reimburse all meals served to students beginning in the 2022-23 school year, regardless of income eligibility, under the federal universal meals provision, at an estimated cost of $650 million in Proposition 98 funds annually and $150 million in one-time Proposition 98 funds for school districts to upgrade kitchen infrastructure and equipment and training to food service employees.

• Special Education Funding - $1.7 billion to invest in and improve instruction and services with students with disabilities to provide, among other things, early intervention services for preschool-age children, learning recovery support, and a 4.05% COLA for special education funding.

• County Offices of Education - $30 million in one-time Proposition 98 funding to county offices of education to work with local partners to coordinate and provide direct services to youth in foster care.

• Career Technical Education – $150 million increase in ongoing Proposition 98 funding to augment opportunities for local educational agencies to participate in the Career Technical Education ("CTE") Incentive Grant Program, and $86.4 million increase in one-time Proposition 98 funding for CTE regional occupational centers or programs operated by joint powers authorities to address COVID-19 costs.

Proposed 2022-23 Budget. On January 10, 2022, Governor Newsom unveiled his proposed budget for fiscal year 2022-23 (the "2022-23 Proposed Budget"). The 2022-23 Proposed Budget projects a surplus of $45.7 billion, which includes $16.1 billion for Proposition 98 general fund support, $20.6 billion for discretionary purposes, and $9 billion for reserves and supplemental pension payments.

The 2022-23 Proposed Budget includes $195.7 billion in revenues and transfers which, when combined with $23.6 billion from the prior year balance, results in total resources of approximately $219.4 billion; and, expenditures of $213 billion. For fiscal year 2021-22, the 2022-23 Proposed Budget increases total resources to approximately $233.6 billion and expenditures to $210 billion. The 2022-23 Proposed Budget apportions 86% of the discretionary surplus to one-time investments. In addition, the 2022-23 Proposed Budget apportions $34.6 billion to reserves as follows: $20.9 billion in the BSA for fiscal emergencies; $9.7 billion in the PSSSA; $900 million in the Safety Net Reserve; and $3.1 billion in the state's operating reserve. The BSA will reach 10% of general fund revenues, its constitutional maximum, requiring $2.4 billion to be dedicated for infrastructure investments in 2022-23. Additional supplemental pension payments of $3.9 billion are contemplated for fiscal year 2022-23.

The 2022-23 Proposed Budget includes total funding of $119 billion for K-12 education, which consists of $70.5 billion from the general fund and $48.5 billion from other sources. The 2022-23 Proposed Budget includes per pupil funding of $15,261 from Proposition 98 general funds ($20,855 from all sources). The Proposition 98 guarantee reaches $102 billion in fiscal year 2022-23 and is revised upwards for fiscal year 2020-21 to $95.9 billion and to $99.1 for fiscal year 2021-22. LCFF funding includes a significant COLA of 5.33%.

LCFF apportionments are calculated based upon the greater of a school district's prior year or current-year ADA. To address the impact that declining enrollment is having on school districts, the 2022-23 Proposed Budget amends the LCFF so that the greater of a school district's current year, prior year, or the average of three prior years' ADA is used to calculate LCFF apportionment funding.

The 2022-23 Proposed Budget includes fiscal years 2020-21, 2021-22, and 2022-23 payments of $3.1 billion, $3.6 billion, and $3.1 billion, respectively, into the PSSSA, for a balance of more than $9.7 billion at the end of 2022-23. The amount of this balance will trigger the 10% cap on school district reserves in fiscal year 2020-21. See, "Constitutional and Statutory Provisions Affecting District Revenues and Appropriations – Propositions 98 and 111; Proposition 2" for more information regarding the PSSSA.

Significant provisions of the 2022-23 Proposed Budget relating to K-12 education include:

- Transitional Kindergarten - $639.2 million general funds to expand eligibility for transitional kindergarten to children turning five-years-old between September 2 and December 2, and children turning five years old between September 2 and February 2, beginning in the 2022-23 school year.

- California State Preschool Program - $197.8 million Proposition 98 general funds and $110.6 million general funds to increase California State Preschool Program adjustment factors for students with disabilities and dual language learners.

- Early Education Expansion Program - $500 million Proposition 98 general funds to Inclusive Early Education Expansion Program, which funds infrastructure necessary to support general education and special education students in inclusive classrooms.

- Early Literacy - Approximately $712 million for various early literacy support programs, such as $500 million, over five years, for grants to high-need schools to train and hire literacy coaches and reading specialists to guide productive classroom instruction and offer one-on-one and small group interventions;$200 million to establish a grant program to create or expand multi-lingual school and classroom libraries offering culturally relevant texts to support reading instruction; $10 million for the California Department of Public Health to partner with First 5 California on the Books for Children Program; and $2 million to incorporate early identification for learning disabilities into the state's preschool assessment tolls, and $60 million to provide educator training on effective use of these tools.

- Educator Workforce - $54.4 million to support efforts to enhance schools' ability to hire qualified teachers and substitutes, consisting of $24 million one-time general fund to waive certain teacher examination fees; $12 million one-time general fund to extend the waiver of select credentials fees; $10 million one-time general fund to support a competitive grant program to develop and implement integrated teacher preparation programs; $5.2 million Proposition 98 general fund and $322,000 general fund to re-establish the Personnel Management Assistance Team to assist local educational agencies in improving hiring and recruitment; $1.4 million general fund to establish career counselors for prospective educators at the Commission on Teacher Credentialing; among others..

- Expanded Learning Opportunities Program - $3.4 billion Proposition 98 general funds for the Expanded Learning Opportunities Program ("ELO-P") and $937 million Proposition 98 general funds to support ELO-P infrastructure, with a focus on integrating arts and music programming into the enrichment options for students. $148.7 million Proposition 98 general funds to support one-time reimbursement rate increases for the After School Education and Safety and 21st Century Community Learning Centers programs.

- College and Career Pathways - $500 million Proposition 98 general funds over four years to strengthen and expand student access and participation in dual enrollment opportunities that are also coupled with student advising and support services.

- Facilities and Transportation – $1.3 billion one-time general fund in 2022-23 and 925 million general funds in 2023-24 to support new construction and modernization projects through the School Facility Program. $1.4 billion of the remaining Proposition 51 bond funds to be allocated and expected to be exhausted in 2022-23. $30 million ongoing Proposition 98 general funds to support eligible facilities costs for the Charter School Facility Grant Program. $1.5 billion one-time Proposition 98 general funds to support school transportation programs with a focus on greening school bus fleet and construction of charging stations.

- Child Nutrition - $596 million Proposition 98 general funds to fund universal access to subsidized school meals; $450 million one-time Proposition 98 general funds over three years to upgrade school kitchen infrastructure; and $3 million one-time Proposition 98 general funds to support the School Breakfast and Summer Meal Start-Up and Expansion Grant Program. equipment to incorporate more fresh, minimally processed California-grown foods in school meals. $30 million one-time general funds to establish additional farm-to-school programs and $3 million ongoing general fund to expand the regional California Farm to School Network by adding 16 positions to the California Department of Food and Agriculture.

May Revision to Proposed 2022-23 State Budget. On May 13, 2022, Governor Newson released the "May Revise," which projects nearly $55 billion in general fund revenues above the amount in the Proposed 2022-23 State Budget. The May Revise reflects $37.1 billion in budgetary reserves, consisting of $23.3 billion in the Rainy Day Fund, $9.5 billion in the PSSSA; $900 million in the Safety Net Reserve, and $3.4 billion in the State's operating reserve. Because the Rainy Day Fund is now at the constitutional maximum, $476 million must be dedicated for infrastructure investments in 2022-23. The May Revise includes total funding of $128.3 billion for K-12 education programs.

The May Revise projects an increase of $19.6 billion in Proposition 98 funding levels for fiscal years 2020-21 through 2022-23 over the funding levels estimated in the Proposed 2022-23 Budget, and projects that Test 1 will be operative during those fiscal years. The Test 1 percentages will decrease from approximately 38.4% (as provided in the 2022-23 Proposed Budget) to approximately 38.3%. In addition, due to decreasing capital gains revenues, projected payments (and the total balance) in the PSSSA for fiscal years 2020-21 through 2022-23 will decrease from $9.7 billion to $9.5 billion. School district reserve caps will be triggered beginning in fiscal year 2022-23 due to the $7.3 billion balance in the PSSSA for fiscal year 2021-22. See "—District Financial Information – Limit on School District Reserves" and " – Constitutional and Statutory Provisions Affecting District Revenues and Appropriations – Proposition 98 and 111; Proposition 2" herein.

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

- Local Control Funding Formula. $2.1 billion ongoing Proposition 98 general funds to increase LCFF base funding for LEAs to help mitigate the impact of rising pension obligations, increasing costs for goods and services, and other ongoing local budget concerns; $101.2 million on-going Proposition 98 general funds to augment LCFF funding for county offices of educations; updates the cost-of-living adjustments from 5.33% to 6.5% for 2022-23; permits all classroom-based LEAs to determine 2021-22 LCFF allocations based on the greater of their current year average daily attendance or their current year enrollment adjusted for pre-COVID-19 absence rates in fiscal year 2021-22; and modifies the three-year rolling average to conform to the adjustment. Total ongoing costs are estimated to be $3.3 billion ongoing Proposition 98 general fund and $463 million one-time Proposition 98 general fund.

- Discretionary Block Grant. $8 billion one-time Proposition 98 general fund in discretionary funds, allocated on a per-pupil basis, to be used for purposes, such as protecting staffing levels, supporting mental health and wellness needs of staff and students, and addressing student learning challenges

- Community Schools. $1.5 billion one-time Proposition 98 general fund to expand access to the community schools grants to eligible local educational agency that apply on behalf of its high-need schools.

- Nutrition. $611.8 million of ongoing Proposition 98 general funds to maintain meal reimbursement rates beginning in 2022-23, with any unused state funding for rate increases in 2022-23 to be made available for school kitchen infrastructure grants if the federal waiver is extended.

- Expanded Learning Opportunities Program (ELOP). $403 million ongoing Proposition 98 general funds for ELOP, bringing the total to $4.8 billion and full funding implementation of $2,500 for every low-income student, English language learner, and youth in foster care in the State.

- Community Engagement Initiative. $100 million one-time Proposition 98 general fund to expand the Community Engagement Initiative program to additional LEAs.

- Pre-Kindergarten Education. $10.8 million one-time Proposition 98 general fund and $10.8 million one-time non-Proposition 98 general fund to waive the family-share of costs for children participating in the State Preschool Program; and allow

State Preschool Program contractors to receive full funding, regardless of student attendance; increases the State Preschool Program adjustment factors for students with disabilities and dual language learners from $197.8 million Proposition 98 general fund and $110.6 million general fund to $201.8 million Proposition 98 general fund and $140.6 million general fund, respectively; temporarily permits qualified teachers (i.e., teachers with preschool teaching permits who hold bachelor's degrees that meet basic skills requirements and are enrolled in coursework leading to assignment as the teacher of record in a credential) to teach transitional kindergarten until June 30, 2026; and reduces the cost to expand eligibility for transitional kindergarten from children turning five-years-old between September 2 and December 2 to those turning five-years-old between September 2 and February 2, beginning in the 2022-23 school year, from $639.2 million in the 2022-23 Proposed Budget to $614 million general fund.

- Investments in a Well-Prepared Educator Workforce. $500 million in one-time Proposition 98 general fund to expand residency slots for teachers and school counselors, and proposes a statute to enable school counselor, social worker, and psychologist candidates to be eligible for the Golden State Teacher Grant Program; $85 million one-time Proposition 98 general fund to create Pre-K through 12 grade educator resources and professional learning to implement STEM instruction and support the alignment of other State STEM educator support initiatives; $300 million one-time Proposition 98 general fund to augment resources available LEAs for professional learning through the Educator Effectiveness Block Grant, with a priority for STEM educator supports; $15 million one-time general fund available over three years, to continue the work of the Educator Workforce Investment Grant Program (EWIG) in computer science; and an additional $15 million one-time Proposition 98 general fund available over three years, to continue the work of EWIG in special education and support for English Learners.

- K–12 School Facilities. Additional $1.8 billion general fund to support new school construction and modernization projects through the School Facility Program as follows: $2.2 billion one-time general fund in 2021-22, $1.2 billion one-time general fund in 2023-24 and $625 million one-time general fund in in 2024-25; and approximately $1.8 billion one-time Proposition 98 general fund to LEAs for outstanding school facility maintenance issues.

The May Revise makes significant adjustments to various educational programs. The May Revise provides an additional $80 million on-going Proposition 98 general fund for the Classified School Employee Summer Assistance Program, which provides supplemental pay for classified staff during intersession months; an additional $63 million one-time Proposition 98 general fund to support ELOP integration of the arts and music programming into the enrichment options for students; an increase of $62.1 million Proposition 98 general fund to selected categorical programs for 2022-23 to reflect a change in the cost-of-living factor from 5.33% to 6.56%; an increase of $20 million one-time Proposition 98 general fund to support a K-12 Teacher Residency Program Technical Assistance Center; an additional $15 million one-time Proposition 98 general fund over three years to support 6,000 teachers complete coursework necessary to receive a supplemental State certification in reading and literacy; an increase of $1.7 million one-time Proposition 98 general fund to Tulare COE to support educator recruitment work of the Center on Teaching Careers; and an additional $2.5 million general fund for the study and preliminary phases of an overall $43.1 million general fund project to replace all outdoor sports fields (football, track, softball and baseball) and add a stand-alone practice soccer field at Riverside School for the Deaf.

The May Revise includes a broad-based relief package that provides a $400 rebate to households based on registered vehicles; a temporary reduction to the diesel sales tax rate; relief for families most affected by the pandemic by providing funding for rental assistance, payments for outstanding utility arrearages the accrued during the pandemic, and coverage of family fees for subsidized child care programs; continuing health care subsidies for the middle class if federal subsidies expire; and retention bonus payments to approximately 600,000 hospital and nursing home workers.

To address homelessness and assist individuals experiencing mental illness and substance use abuse, the May Revise includes an additional $150 million to fund Homekey projects (the Homekey Program assists agencies acquire housing for people experiencing or at risk of homelessness); $500 million for the development of quick-build interim housing; and $64.7 million for State department and Judicial Branch costs associated with the new Community Assistance, Recovery and Empowerment (CARE) Court. The May Revise also contains an additional $290 million over three years to address the most urgent needs and emergent issues in children's mental health.

The May Revise incorporates an additional $17 billion to accelerate the transition to zero-emission vehicles, modernize the State's transportation system, spur clean energy innovation, reduce wildfire risk to communities, support drought resiliency, advance the State's housing goals; an additional $1.1 billion for broadband; $500 million for housing; $500 million for active transportation; and $650 million to build more housing for homeless individuals. These investments are in addition to the $13.9 billion from the federal Infrastructure Investment and Jobs Act funding formula that will support transportation, broadband, and other infrastructure projects over the next five years.

The May Revise contains an additional $1.1 billion to continue the Administration's SMARTER plan, and provides additional funding to support school testing, increase COVID-19 vaccination rates, and expand and sustain efforts to protect public health at the border. In addition, the May Revise includes $50 million in local law enforcement grants; $30 million for grants to assist minors who are victims of sex trafficking; and continues funding for the Internet Crimes Against Children Task Force Program.

To combat the State's worsening drought, increase energy reliability, and enhance firefighting capabilities, the May Revise allocates an addition $1.6 billion to continue the State's drought response by funding loans to drinking water systems, water recycling, conservation in the agricultural section, and habitat restoration. The May Revise also includes $75 million for grants of up to $50,000 to farming and related businesses that were negatively impacted by the drought. To increase the State's energy system reliability and provide consumer-relief from increasing electricity rates, the May Revise includes $8 billion to be allocated over five years. The May Revise includes additional funding to support expanded fire crews and air attack operations thereby building on the 2022-23 Proposed Budget to expanding the State's wildfire response capacity and continue to build forest and wildfire resilience Statewide.

The May Revise proposes a $6.2 billion multi-year plan to prepay callable general obligation bonds, and estimates supplemental payments to reduce state retirement liabilities of $3.4 billion in 2022-23 and an additional $7.6 billion projected over the next three years.

Factors Affecting the Budget and Projections

The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect the District. Further State actions taken to address its budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

The District cannot predict whether the State will encounter budgetary difficulties in the current or future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

Consequently, the District cannot predict the impact that the 2020-21 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any predictions made in the 2020-21 State Budget, or any subsequent budgets.

Additional Information on State Finances

Summaries of the enacted 2021-22 State Budget and the Proposed 2022-23 State Budget may be found at the internet website of the California Department of Finance, *www.dof.ca.gov*, under the heading "California budget." The Legislative Analyst's Office's (the "LAO") overview of the 2020-21 State budgets may be found at *www.lao.ca.gov*. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, *www.treasurer.ca.gov*. These websites are not incorporated herein by references thereto.

Periodic reports on revenues and/or expenditures during the fiscal year are issued by the Governor's Office, the State Controller's Office and the LAO. The Department of Finance issues a monthly bulletin, which reports the most recent revenue receipts as reported by State departments, comparing them to budget projections. The Governor's Office also formally updates its budget projections three times during each fiscal year, in January, May and at budget enactment. These bulletins and other reports are available on the Internet.

The information referred to above is prepared by the respective State agencies maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Future State Budgets

The District cannot predict what actions will be taken in the future by the Legislature and the Governor to deal with changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and state economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools as budgeted. However, the obligation to levy *ad valorem* taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

Legal Challenges to State's Funding Method

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in recent years, and is likely to be further challenged in the future.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The information in this section concerning certain provisions of Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 98, 111, 1A, and 218, and certain other law is provided as supplementary information only, to outline the principal constitutional and statutory laws under which the operating revenue and finances of K-12 school districts in the State are determined. The tax for the Bonds was approved in conformity with all applicable constitutional and statutory limitations. For specific financial information on the District, see "Appendix A – General and Financial Information of the District - District Financial Information" herein.

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

Basic Property Tax Levy. Article XIIIA of the State Constitution limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness approved by two-thirds of the voters on or after July 1, 1978, for the acquisition or improvement of real property, and (iii) bonded indebtedness approved by 55% of the voters of a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities, the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities. As shown on the table titled "Combined General Obligation Debt Service Schedule," the District's bonds from the 2002 Authorization and the 2016 Authorization (as those terms are defined under "General Information – District Debt – General Obligation Bonds" herein) were approved pursuant to clause (iii) above. The California Government Code provides that additional *ad valorem* taxes may be levied to pay debt service on bonds issued to refund voter-approved general obligation bonds.

Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA permits the reduction of the full cash value base in the event of a decline in property value caused by damage, destruction, or other factors. The full cash value base is not increased upon reconstruction of property damaged or destroyed in a disaster, if the fair market value of the property as reconstructed is comparable to its fair market value before the disaster. If the full cash value has been reduced owing to a decline in market value, the full cash value is restored to the full cash value base as quickly as the market price increases (without regard to the 2% limit on increases that otherwise applies).

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

<u>Legislation Implementing Article XIIIA</u>. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter approved indebtedness). The 1% property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

Inflationary Adjustment of Assessed Valuation

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property that is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State assessed unitary and certain other property is allocated to the counties by SBE, taxed at special countywide 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.

Article XIIIB of the California Constitution

Under Article XIIIB of the California Constitution, state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain monies that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys that are excluded from the definition of "appropriations subject to limitation," such as appropriations for voter approved debt service, appropriations required to comply with certain mandates of the courts or the federal government, and appropriations for qualified capital outlay projects (as defined by the Legislature).

The appropriations limit for each agency in each year is based on the agency's limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted where applicable for transfer to or from another governmental entity of financial responsibility for providing services. With respect to school districts, "change in cost of living" is defined as the change in percentage change in California per capita income from the preceding year and "change in population" means the percentage change in average daily attendance for the preceding year.

The appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by an agency over such two-year period above the combined appropriations limit for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Under current statutory law, a school district that receives any proceeds of taxes in excess of the allowable limit need only notify the State Director of Finance and such district's appropriations limit is increased and the State's limit is correspondingly decreased by the amount of the excess.

Article XIIIC and Article XIIID of the California Constitution

Articles XIIIC and XIIID of the California Constitution, adopted by Proposition 218 in November 1996, impose certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. The District does not impose any such taxes, assessments, fees or charges; and, with the exception of *ad valorem* property taxes levied and collected by the County under Article XIIIA of the California Constitution and allocated to the District, no such taxes, assessments, fees or charges are imposed on behalf of the District. Accordingly, while the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The initiative power is, however, limited by the United States Constitution's prohibition against state or local laws "impairing the obligation of contracts." The District's general obligation bonds represent a contract between the District and the bondholder secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once the District issues general obligation bonds, the taxes needed to pay debt service on the bonds issued would not be subject to reduction or repeal. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District.

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

Propositions 98 and 111; Proposition 2

Proposition 98, a constitutional and statutory amendment adopted by California voters in 1988 and amended by Proposition 111 in 1990, guarantees a minimum level of funding for public education from kindergarten through community college (K-14).

Proposition 98 guarantees a level of funding based on the greater of two amounts determined under three different methods of calculation. The first amount is based on a percentage of State general fund revenues. This amount is defined under "Test 1" as the amount produced by applying the same percentage of State general fund revenues appropriated to K-14 education in

1986-87, or about 40.7%. (This percentage has been adjusted to approximately 41.2% to account for subsequent redirection of local property taxes, since such property tax shifts affect the share of districts' revenue limits that are to be provided by State general fund revenues.) The second amount is determined under one of two methods, "Test 2" or "Test 3," the choice of which is determined based on the relative growth of per capita income and general fund revenues.

In years of high or normal growth of general fund revenues, Test 2 applies. Test 2 is designed to maintain prior-year service levels. The amount determined under Test 2 is the amount required to ensure that K-14 schools receive from State funds and local tax revenues the same amount received in the prior year, adjusted for changes in enrollment and for increases in per capita personal income. Test 3 is operative in years in which general fund revenue growth per capita is more than 0.5% below growth in per capita personal income. The amount determined under Test 3 is the prior-year total level of funding from state and local sources, adjusted for enrollment growth and for growth in general fund revenues per capita, plus 0.5% of the prior year level. If Test 3 is used in any year, the difference between the amount determined under Test 3 and Test 2 will become a credit (called the "maintenance factor") to be paid to K-14 schools in future years when State general fund growth exceeds personal income growth.

The State's estimate of the total guaranteed amount varies through the stages of the annual budgeting process, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as various factors change. The guaranteed amount will increase as enrollment and per capita personal income grow. If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount may be suspended for one year at a time by enactment of an urgency statute. In subsequent years in which State general fund revenues are growing faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount.

Proposition 2, the "Rainy Day Budget Stabilization Fund Act," was approved at the November 4, 2014, statewide election. Proposition 2, among other things, altered the State's existing requirements for the Budget Stabilization Account (the "BSA"), as established by Proposition 58 and commonly referred to as a "Rainy Day Fund."

Proposition 2 also created a new State budget stabilization fund known as the "Public School System Stabilization Account" (the "PSSSA"). In years where capital gains tax revenues exceed 8% of total General Fund revenues, if a number of conditions are satisfied (including that Test 1 is operative, all maintenance factor obligations have been satisfied, and the Proposition 98 funding level is higher than the previous year), that part of the "excess" capital gains tax revenues accruing to the Proposition 98 guarantee, instead of being appropriated, would be deposited in the PSSSA, provided that the amount spent on schools and community colleges grows along with the number of students and the cost of living. The State would spend money out of the reserve in order to maintain spending on schools and community colleges in budgetary years in which such spending would otherwise decline from the prior year's level (adjusted for student population and cost of living). Proposition 2 thus changes when the State would otherwise be required to spend money on schools and community colleges but not the total amount of State spending for schools and community colleges over the long run.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as "Proposition 39") to the California Constitution. This amendment 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 changes existing statutory law regarding charter school facilities. The local school jurisdictions affected by Proposition 39 are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for any local government debts approved by the voters prior to July 1, 1978, or bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

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

Proposition 30 and 55

Guaranteed Local Public Safety Funding Initiative Constitutional Amendment approved by voters on November 6, 2012 ("Proposition 30") temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax is levied at a rate of 0.25% of the sales price of the property so purchased.

Beginning in the taxable year commencing January 1, 2012 and ending December 31, 2016, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for head of household filers and over $500,000 but less than $600,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for head of household filers and over $600,000 but less than $1,000,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $680,000 for head of household filers and over $1,000,000 for joint 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 increase to personal income tax rates for high-income taxpayers (i.e., income over $250,000) that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from these temporary tax increases has been included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "Propositions 98 and 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State created 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; however, no school district will receive less than $200 per unit of A.D.A. 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 was granted sole authority for determining how the moneys received from the EPA are spent, provided the appropriate governing board made these spending determinations in open session at a public meeting and such local governing boards did not use any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 51

The California Public School Facility Bonds Initiative ("Proposition 51") was approved by the voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds by the State to fund the construction and modernization of facilities for both K-12 schools and community colleges. The revenues from the sale of the bonds will be allocated as follows:

- $3 billion for construction of new K-12 school district facilities.
- $3 billion for the modernization of K-12 public school sites, which includes repairing outdated facilities to increase earthquake and fire safety, removing asbestos, upgrading technology, and other health and safety improvements.
- $500 million for charter school facilities.
- $500 million for career technical education facilities.
- $2 billion for the construction and modernization of community college facilities.

The impact that Proposition 51 will have on school districts is unclear. Some school districts may increase the number of facility projects and spend more local funds, knowing that additional state funding could be available. Other school districts may spend less local funds due to the greater support of state funding. It is also possible that the number of school district proposals for construction and modernization projects will not change.

Proposition 19

On November 3, 2020, California voters approved Proposition 19, the Home Protection for Seniors, Severely Disabled, Families and Victims of Wildfire or Natural Disasters Act. Proposition 19 limits individuals who inherit family properties from retaining the low property tax base unless the home is used as their primary residence. Proposition 19 permits homeowners who are over 55 years old, disabled, or a victim of a wildfire or natural disaster to transfer the assessed value of their primary residence to a newly purchased or newly constructed replacement primary residence up to three times. The District cannot predict what effect the implementation of Proposition 19 will have on District revenues or the assessed valuation of real property in the District.

Proposition 1A and Proposition 22

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

Proposition 22, a Constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State Constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

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

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID of the California Constitution and Propositions 98, 111, 22, 218, 30, 39 and 51 (discussed above) were each adopted as measures that qualified for the ballot under the State's initiative process. From time-to-time other initiative measures could be adopted, further affecting the District's revenues or the District's ability to expend revenues. The nature and impact of these measures cannot by anticipated by the District.

APPENDIX B

WATERFORD UNIFIED SCHOOL DISTRICT
AUDIT REPORT, JUNE 30, 2021

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WATERFORD UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2021

WATERFORD UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2021

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Waterford Unified School District
Waterford, 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 Waterford Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Waterford Unified School 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Waterford Unified School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

348 Olive Street
San Diego, CA
92103
O: 619-270-8222
F: 619-260-9085
christywhite.com

Emphasis of Matter

Change in Accounting Principle

As described in Note 14 to the basic financial statements, the Waterford Unified School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterford Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the 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, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2022 on our consideration of Waterford Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Waterford Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterford Unified School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
March 7, 2022

WATERFORD UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

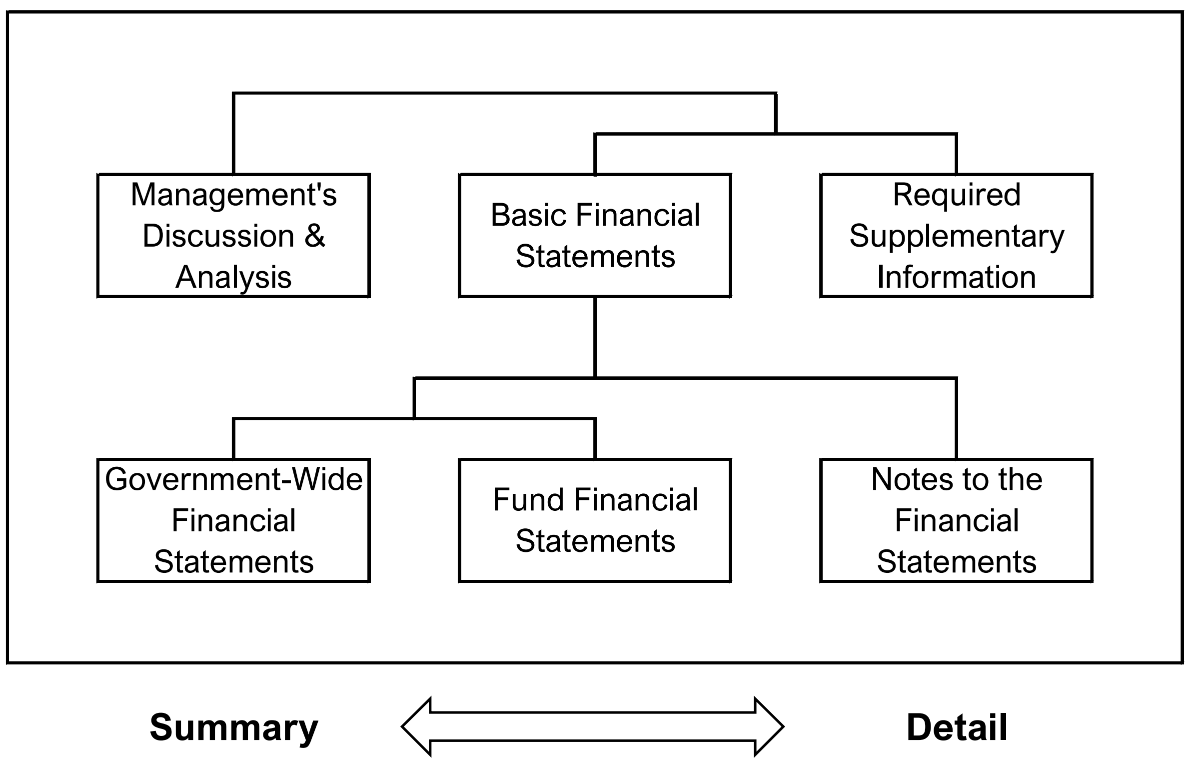
Our discussion and analysis of Waterford Unified School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was $6,781,914 at June 30, 2021. This was an increase of $1,240,242 from the prior year, after restatement.
- Overall revenues were $34,765,023 which exceeded expenses of $33,524,781.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

    - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

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

The two government-wide statements report the District's net position and it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $6,781,914 at June 30, 2021, as reflected in the table below. Of this amount, $(14,995,862) 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 that net position for day-to-day operations.

	Governmental Activities		
	2021	2020	Net Change
ASSETS			
Current and other assets	$ 20,224,320	$ 16,544,842	$ 3,679,478
Capital assets	19,313,307	18,225,353	1,087,954
Total Assets	39,537,627	34,770,195	4,767,432
DEFERRED OUTFLOWS OF RESOURCES	7,169,832	6,397,250	772,582
LIABILITIES			
Current liabilities	5,572,231	3,659,026	1,913,205
Long-term liabilities	33,809,249	30,952,388	2,856,861
Total Liabilities	39,381,480	34,611,414	4,770,066
DEFERRED INFLOWS OF RESOURCES	544,065	1,139,233	(595,168)
NET POSITION			
Net investment in capital assets	16,699,528	15,767,209	932,319
Restricted	5,078,248	3,485,300	1,592,948
Unrestricted	(14,995,862)	(13,835,711)	(1,160,151)
Total Net Position	$ 6,781,914	$ 5,416,798	$ 1,365,116

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement, and rearranges them slightly, so you can see our total revenues and expenses for the year.

The District's total revenues related to governmental activities were $34,765,023, consisting mostly of federal and state aid, categorical programs, and property taxes. The District's total expenditures relating to governmental activities were $33,524,781, predominately related to educating and caring for students.

	Governmental Activities		
	2021	**2020**	**Net Change**
REVENUES			
Program revenues			
Charges for services	$ 2,169,123	$ 1,648,022	$ 521,101
Operating grants and contributions	9,465,058	4,616,590	4,848,468
General revenues			
Property taxes	4,747,015	4,603,699	143,316
Unrestricted federal and state aid	17,283,407	17,807,993	(524,586)
Other	1,100,420	2,208,685	(1,108,265)
Total Revenues	34,765,023	30,884,989	3,880,034
EXPENSES			
Instruction	19,444,867	17,160,067	2,284,800
Instruction-related services	2,824,138	2,617,869	206,269
Pupil services	2,976,378	3,144,572	(168,194)
General administration	1,963,865	2,157,355	(193,490)
Plant services	2,694,668	2,695,846	(1,178)
Ancillary and community services	441,473	491,146	(49,673)
Debt service	200,725	235,941	(35,216)
Other outgo	1,704,195	1,778,070	(73,875)
Depreciation	1,274,472	981,715	292,757
Total Expenses	33,524,781	31,262,581	2,262,200
Change in net position	1,240,242	(377,592)	1,617,834
Net Position - Beginning, as Restated*	5,541,672	5,794,390	(252,718)
Net Position - Ending	$ 6,781,914	$ 5,416,798	$ 1,365,116

**Beginning net position was restated for the 2021 year only.*

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The net cost of all our governmental activities this year was $21,890,600. The amount that our taxpayers ultimately financed for these activities through taxes was only $4,747,015 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	Net Cost of Services	
	2021	**2020**
Instruction	$ 12,872,213	$ 13,832,243
Instruction-related services	2,003,354	2,240,833
Pupil services	1,482,759	1,889,687
General administration	636,340	2,022,298
Plant services	2,287,421	2,435,222
Ancillary and community services	224,869	288,769
Debt service	200,725	235,941
Transfers to other agencies	908,447	1,071,261
Depreciation	1,274,472	981,715
Total Expenses	$ 21,890,600	$ 24,997,969

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $15,368,291, which is more than this year's restated beginning fund balance of $13,711,892. The District's General Fund had $2,868,734 more in operating revenues than expenditures for the year ended June 30, 2021. The District's Building Fund had $1,794,297 less in operating revenues than expenditures for the year ended June 30, 2021.

CURRENT YEAR BUDGET 2020-2021

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2020-2021 the District had invested $19,313,307 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2021	2020	Net Change
CAPITAL ASSETS			
Land	$ 2,139,730	$ 2,139,730	$ -
Construction in progress	3,310,346	3,377,327	(66,981)
Land improvements	5,810,669	5,758,108	52,561
Buildings & improvements	26,663,402	24,337,813	2,325,589
Furniture & equipment	2,452,649	2,401,392	51,257
Accumulated depreciation	(21,063,489)	(19,789,017)	(1,274,472)
Total Capital Assets	$ 19,313,307	$ 18,225,353	$ 1,087,954

Long-Term Liabilities

At year-end, the District had $33,809,249 in long-term liabilities, an increase of 9% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2021	2020	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 1,285,346	$ 1,857,319	$ (571,973)
Total bond revenue anticipation notes	5,439,739	5,323,031	116,708
Compensated absences	7,037	17,173	(10,136)
California Energy Commission loan	440,432	477,135	(36,703)
Net pension liability	27,352,897	23,978,932	3,373,965
Less: current portion of long-term liabilities	(716,202)	(701,202)	(15,000)
Total Long-term Liabilities	$ 33,809,249	$ 30,952,388	$ 2,856,861

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

In its March 2021 and June 2021 quarterly reports, the UCLA Anderson Forecast anticipated a robust recovery from the COVID-19–induced recession that began in March 2020. However, in its September 2021 quarterly report, hopes for blockbuster economic growth have been tempered by the spread of the delta variant and stagnating vaccination rates, which in turn have led to consumer caution and supply constraints. As a result, what could have been a couple of years of blockbuster economic performance will now likely feature solid but unspectacular growth. The economy is currently down 5.3 million payroll jobs from its pre-COVID peak, and there is little evidence to suggest that the expiration of enhanced unemployment benefits will lead to a surge in job applications.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. Governor Gavin Newsom's "California Comeback Plan" includes a mix of ongoing and one-time investments of $100 billion made possible by an unanticipated surge in state revenues and robust federal stimulus funding.

Landmark legislation passed in year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per-pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low-income brackets, those that are English language learners and foster youth.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADS); and (4) meeting annual compliance and audit requirements.

The May 2021 Budget Revision provides additional funding to further reduce the funding deferrals that were included in the 2020-21 Enacted Budget. The Governor's Budget in January proposed paying down $9.2 billion of the K–12 deferrals. The May 2021 Budget Revision proposes paying down an additional $1.1 billion, leaving a balance of $2.6 billion at the end of the 2021–22 fiscal year.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2021. The amount of the liability is material to the financial position of the District. Beginning in 2021-22, the CalSTRS Board has limited authority to increase or decrease rates by a maximum of 1% annually (not to exceed 20.25% of creditable compensation), the projected employer contribution rate for 2021-22 is 16.92%. The CalPERS Board adopted an employer contribution rate of 22.91% for 2021-22. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2021-22 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District Office at Waterford Unified School District, 219 N. Reinway Ave. Waterford, CA 95386.

WATERFORD UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and investments	$ 13,681,329
Accounts receivable	6,536,291
Inventory	6,700
Capital assets, not depreciated	5,450,076
Capital assets, net of accumulated depreciation	13,863,231
Total Assets	39,537,627
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	7,169,832
Total Deferred Outflows of Resources	7,169,832
LIABILITIES	
Accrued liabilities	3,846,958
Unearned revenue	1,009,071
Long-term liabilities, current portion	716,202
Long-term liabilities, non-current portion	33,809,249
Total Liabilities	39,381,480
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	544,065
Total Deferred Inflows of Resources	544,065
NET POSITION	
Net investment in capital assets	16,699,528
Restricted:	
Capital projects	936,548
Debt service	723,413
Educational programs	2,381,322
Food service	908,854
Associated student body	128,111
Unrestricted	(14,995,862)
Total Net Position	$ 6,781,914

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

WATERFORD UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Function/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
GOVERNMENTAL ACTIVITIES				
Instruction	$ 19,444,867	$ 1,349,993	$ 5,222,661	$ (12,872,213)
Instruction-related services				
Instructional supervision and administration	1,083,879	173,618	434,819	(475,442)
Instructional library, media, and technology	72,207	-	25,404	(46,803)
School site administration	1,668,052	-	186,943	(1,481,109)
Pupil services				
Home-to-school transportation	551,498	501	13,938	(537,059)
Food services	799,619	-	1,042,096	242,477
All other pupil services	1,625,261	121,796	315,288	(1,188,177)
General administration				
Centralized data processing	344,515	-	197,485	(147,030)
All other general administration	1,619,350	44,317	1,085,723	(489,310)
Plant services	2,694,668	36,292	370,955	(2,287,421)
Ancillary services	201,125	-	1,941	(199,184)
Community services	240,348	76,520	138,143	(25,685)
Interest on long-term debt	200,725	-	-	(200,725)
Other outgo	1,704,195	366,086	429,662	(908,447)
Depreciation (unallocated)	1,274,472	-	-	(1,274,472)
Total Governmental Activities	$ 33,524,781	$ 2,169,123	$ 9,465,058	(21,890,600)

General revenues	
Taxes and subventions	
Property taxes, levied for general purposes	3,959,112
Property taxes, levied for debt service	643,623
Property taxes, levied for other specific purposes	144,280
Federal and state aid not restricted for specific purposes	17,283,407
Interest and investment earnings	176,175
Interagency revenues	35,733
Miscellaneous	888,512
Subtotal, General Revenue	23,130,842
CHANGE IN NET POSITION	1,240,242
Net Position - Beginning, as Restated	5,541,672
Net Position - Ending	$ 6,781,914

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

WATERFORD UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 7,694,266	$ 2,992,743	$ 2,994,320	$ 13,681,329
Accounts receivable	6,183,130	-	353,161	6,536,291
Due from other funds	20,773	-	-	20,773
Stores inventory	-	-	6,700	6,700
Total Assets	$ 13,898,169	$ 2,992,743	$ 3,354,181	$ 20,245,093
LIABILITIES				
Accrued liabilities	$ 3,692,664	$ 64,834	$ 89,460	$ 3,846,958
Due to other funds	-	-	20,773	20,773
Unearned revenue	1,009,071	-	-	1,009,071
Total Liabilities	4,701,735	64,834	110,233	4,876,802
FUND BALANCES				
Nonspendable	4,000	-	7,200	11,200
Restricted	2,413,629	2,927,909	2,664,619	8,006,157
Committed	-	-	602,435	602,435
Assigned	625,000	-	-	625,000
Unassigned	6,153,805	-	(30,306)	6,123,499
Total Fund Balances	9,196,434	2,927,909	3,243,948	15,368,291
Total Liabilities and Fund Balances	$ 13,898,169	$ 2,992,743	$ 3,354,181	$ 20,245,093

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

WATERFORD UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balance - Governmental Funds		$ 15,368,291
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	$ 40,376,796	
Accumulated depreciation	(21,063,489)	19,313,307
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Total general obligation bonds	$ 1,285,346	
Total bond revenue anticipation notes	5,439,739	
Compensated absences	7,037	
California Energy Commission loan	440,432	
Net pension liability	27,352,897	(34,525,451)
Deferred outflows and inflows of resources relating to pensions:		
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources related to pensions	$ 7,169,832	
Deferred inflows of resources related to pensions	(544,065)	6,625,767
Total Net Position - Governmental Activities		$ 6,781,914

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

WATERFORD UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 20,795,377	$ -	$ -	$ 20,795,377
Federal sources	4,121,104	-	2,168,083	6,289,187
Other state sources	2,562,152	-	166,510	2,728,662
Other local sources	4,646,847	56,203	994,696	5,697,746
Total Revenues	32,125,480	56,203	3,329,289	35,510,972
EXPENDITURES				
Current				
Instruction	18,193,166	-	625,002	18,818,168
Instruction-related services				
Instructional supervision and administration	861,930	-	172,563	1,034,493
Instructional library, media, and technology	65,796	-	-	65,796
School site administration	1,588,484	-	-	1,588,484
Pupil services				
Home-to-school transportation	498,598	-	-	498,598
Food services	4,726	-	752,443	757,169
All other pupil services	1,436,772	-	127,761	1,564,533
General administration				
Centralized data processing	307,124	-	-	307,124
All other general administration	1,425,481	-	99,999	1,525,480
Plant services	2,283,963	-	209,360	2,493,323
Facilities acquisition and maintenance	413,881	1,850,500	101,972	2,366,353
Ancillary services	200,769	-	-	200,769
Community services	235,158	-	2,237	237,395
Transfers to other agencies	1,704,195	-	-	1,704,195
Debt service				
Principal	36,703	-	655,000	691,703
Interest and other	-	-	990	990
Total Expenditures	29,256,746	1,850,500	2,747,327	33,854,573
NET CHANGE IN FUND BALANCE	2,868,734	(1,794,297)	581,962	1,656,399
Fund Balance - Beginning, as Restated	6,327,700	4,722,206	2,661,986	13,711,892
Fund Balance - Ending	$ 9,196,434	$ 2,927,909	$ 3,243,948	$ 15,368,291

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

WATERFORD 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, 2021

Net Change in Fund Balances - Governmental Funds			$ 1,656,399
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:			
Capital outlay:			
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
Expenditures for capital outlay:	$	2,362,426	
Depreciation expense:		(1,274,472)	1,087,954
Debt service:			
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			691,703
Accreted interest on long-term debt:			
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.			(209,234)
Compensated absences:			
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:			10,136
Pensions:			
In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:			(2,006,215)
Amortization of debt issuance premium or discount:			
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:			9,499
Change in Net Position of Governmental Activities			$ 1,240,242

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Waterford Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual.* The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. 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. The District has no such component units.

C. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. 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 of 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements: The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This 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. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section* 41003).

Non-Major Governmental Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section* 8200 *et seq*.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section* 8328).

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections* 38090–38093). The Cafeteria Special Revenue Fund shall be 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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued)

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections* 17582–17587). In addition, whenever the state funds provided pursuant to *Education Code Sections* 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections* 17582 and 17583).

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections* 17620–17626). The authority for these levies may be county/city ordinances (*Government Code Sections* 65970–65981) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section* 66006).

County School Facilities Fund: This 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), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section* 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section* 42840).

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

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections* 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide Financial Statements
The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net 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. The net position should be reported as restricted when constraints placed on its use 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 results from special revenue funds and the restrictions on their use.

Governmental Funds
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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

Expenses/Expenditures
On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

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

Cash and Cash Equivalents
The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Inventories
Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets
The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings	20 to 50 years
Improvements	5 to 50 years
Equipment	2 to 15 years

Interfund Balances
On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences
Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accrued Liabilities and Long-Term Obligations
All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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 funds.

Premiums and Discounts
In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

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

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

Fund Balance
Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance (continued)

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. 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.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The District has implemented this Statement as of June 30, 2021.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives 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. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard's primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard's primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities
Investment in county treasury	$ 13,548,718
Cash on hand and in banks	128,111
Cash in revolving fund	4,500
Total	$ 13,681,329

B. 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; collateralized mortgage obligations; and the County Investment Pool.

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices (continued)

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Stanislaus County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is 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.

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $13,580,687 and an amortized book value of $13,548,718. The average weighted maturity for this pool is 870 days.

NOTE 2 – CASH AND INVESTMENTS (continued)

E. 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 investments in the County Treasury are not required to be rated. As of June 30, 2021, the pooled investments in the County Treasury were not rated.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy 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 (unadjusted) in active markets for identical assets.

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, either directly or indirectly.

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 reasonable 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 Stanislaus 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 at June 30, 2021 were as follows:

	Uncategorized
Investment in county treasury	$ 13,580,687
Total	$ 13,580,687

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government			
Categorical aid	$ 1,289,443	$ 182,436	$ 1,471,879
State Government			
Apportionment	2,891,794	-	2,891,794
Categorical aid	732,438	14,508	746,946
Lottery	118,515	-	118,515
Local Government			
Other local sources	1,150,940	156,217	1,307,157
Total	$ 6,183,130	$ 353,161	$ 6,536,291

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	$ 2,139,730	$ -	$ -	$ 2,139,730
Construction in progress	3,377,327	310,787	377,768	3,310,346
Total Capital Assets not Being Depreciated	5,517,057	310,787	377,768	5,450,076
Capital assets being depreciated				
Land improvements	5,758,108	52,561	-	5,810,669
Buildings & improvements	24,337,813	2,325,589	-	26,663,402
Furniture & equipment	2,401,392	51,257	-	2,452,649
Total Capital Assets Being Depreciated	32,497,313	2,429,407	-	34,926,720
Less Accumulated Depreciation				
Land improvements	5,532,930	127,415	-	5,660,345
Buildings & improvements	12,390,525	973,406	-	13,363,931
Furniture & equipment	1,865,562	173,651	-	2,039,213
Total Accumulated Depreciation	19,789,017	1,274,472	-	21,063,489
Governmental Activities Capital Assets, net	$ 18,225,353	$ 1,465,722	$ 377,768	$ 19,313,307

NOTE 5 – INTERFUND TRANSACTIONS

Due to/Due from

Interfund receivables and payables at June 30, 2021 consisted $20,773 due from the Child Development Fund to the General Fund for program expenditures.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2021 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Governmental Activities
Payroll	$ 1,220,645	$ -	$ 64,058	$ 1,284,703
Construction	-	64,834	-	64,834
Vendors payable	184,103	-	25,402	209,505
Due to grantor government	2,287,916	-	-	2,287,916
Total	$ 3,692,664	$ 64,834	$ 89,460	$ 3,846,958

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund
Federal sources	$ 923,843
State categorical sources	85,228
Total	$ 1,009,071

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2021 consisted of the following:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 1,857,319	$ 83,027	$ 655,000	$ 1,285,346	$ 670,000
Bond revenue anticipation notes	5,294,534	126,207	-	5,420,741	-
Unamortized premium	28,497	-	9,499	18,998	9,499
Total bond revenue anticipation notes	5,323,031	126,207	9,499	5,439,739	9,499
Compensated absences	17,173	-	10,136	7,037	-
California Energy Commission loan	477,135	-	36,703	440,432	36,703
Net pension liability	23,978,932	3,373,965	-	27,352,897	-
Total	$ 31,653,590	$ 3,583,199	$ 711,338	$ 34,525,451	$ 716,202

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for the bond revenue anticipation notes are made in the Building Fund.
- Payments for the California Energy Commission Loan are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2021 amounted to $7,037. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2020	Additions	Deductions	Bonds Outstanding June 30, 2021
Series A	4/1/1998	2023	4.95 - 5.35%	$ 2,749,661	$ 1,857,319	$ 83,027	$ 655,000	$ 1,285,346
					$ 1,857,319	$ 83,027	$ 655,000	$ 1,285,346

The debt service requirements to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	$ 196,089	$ 473,911	$ 670,000
2023	190,170	494,830	685,000
Accretion	899,087	(899,087)	-
Total	$ 1,285,346	$ 69,654	$ 1,355,000

C. Bond Revenue Anticipation Notes

The outstanding bond revenue anticipation notes debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2020	Additions	Deductions	Bonds Outstanding June 30, 2021
2019 BAN	3/1/2019	2023	2.09%	$ 5,136,431	$ 5,294,534	$ 126,207	$ -	$ 5,420,741
Premium on issuance					28,497	-	9,499	18,998
					$ 5,323,031	$ 126,207	$ 9,499	$ 5,439,739

The debt service requirements to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	$ -	$ -	$ -
2023	5,136,431	413,569	5,550,000
Accretion	284,310	(284,310)	-
Total	$ 5,420,741	$ 129,259	$ 5,550,000

NOTE 8 – LONG-TERM LIABILITIES (continued)

D. Net Pension Liability

The District's beginning net pension liability was $23,978,932 and increased by $3,373,965 during the year ended June 30, 2021. The ending net pension liability at June 30, 2021 was $27,352,897. See Note 11 for additional information regarding the net pension liability.

E. California Energy Commission Loan

The District entered into a loan agreement with the California Energy Commission (CEC) during the 2017-2018 fiscal year. The proceeds from the loan will be used for energy efficiency projects within the District. The loan was offered with a zero percent interest rate, and the District will commence repayment beginning the 2018-2019 fiscal year. Proceeds from the first draw-down request in the amount of $485,627 were received during the 2017-18 fiscal year. The second draw-down request in the amount of $64,914 was recorded as a receivable in 2017-2018 and was received October 2018. Future minimum payments on the California Energy Commission Loan are as follows:

Year Ended June 30,	Payment
2022	$ 36,703
2023	36,703
2024	36,703
2025	36,703
2026	36,703
2027 - 2031	183,513
2032 - 2034	73,404
Total	$ 440,432

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2021:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	$ 4,000	$ -	$ 500	$ 4,500
Stores inventory	-	-	6,700	6,700
Total non-spendable	4,000	-	7,200	11,200
Restricted				
Educational programs	2,285,518	-	95,804	2,381,322
Food service	-	-	908,854	908,854
Associated student body	128,111	-	-	128,111
Capital projects	-	2,927,909	936,548	3,864,457
Debt service	-	-	723,413	723,413
Total restricted	2,413,629	2,927,909	2,664,619	8,006,157
Committed				
Other commitments	-	-	602,435	602,435
Total committed	-	-	602,435	602,435
Assigned				
Instructional materials reserve	250,000	-	-	250,000
Equipment reserve	375,000	-	-	375,000
Total assigned	625,000	-	-	625,000
Unassigned	6,153,805	-	(30,306)	6,123,499
Total Fund Balance	$ 9,196,434	$ 2,927,909	$ 3,243,948	$ 15,368,291

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

NOTE 10 – 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's risk management activities are recorded in the General Fund. The District participates in the Central Region School Insurance Group (CRSIG). CRSIG arranges for and provides workers' compensation insurance, property and liability insurance for the District. The relationship between the District and the JPA are such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA has budgeting and financial reporting requirements independent of member units, and its financial statements are not presented in these financial statements. However, fund transactions between the JPA and the District are included in these statements. The audited financial statements are generally available from the respective entity.

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$ 17,667,465	$ 5,372,089	$ 544,065	$ 2,601,500
PERS Pension	9,685,432	1,797,743	-	1,974,630
Total	$ 27,352,897	$ 7,169,832	$ 544,065	$ 4,576,130

A. California State Teachers' Retirement System (CalSTRS)

Plan Description
The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided
The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2021, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2021 was 19.10% of annual payroll reduced to 16.15% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $1,564,143 for the year ended June 30, 2021.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $1,030,708 to CalSTRS.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$	17,667,465
State's proportionate share of the net pension liability associated with the District		9,107,506
Total	$	26,774,971

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. 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. At June 30, 2020, the District's proportion was 0.018 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2019.

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2021, the District recognized pension expense of $2,601,500. In addition, the District recognized pension expense and revenue of $284,759 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 419,677	$ -
Differences between expected and actual experience	31,175	498,253
Changes in assumptions	1,722,828	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,634,266	45,812
District contributions subsequent to the measurement date	1,564,143	-
Total	$ 5,372,089	$ 544,065

The $1,564,143 reported as 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 year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	$ 608,117	$ 160,050
2023	1,007,376	125,049
2024	1,150,304	78,787
2025	554,089	79,334
2026	244,031	76,234
2027	244,029	24,611
Total	$ 3,807,946	$ 544,065

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015−June 30, 2018.

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 January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

*20-year geometric average

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. 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 occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 26,693,078	$ 17,667,465	$ 10,215,550

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description
The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided
The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions
Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2021 was 22.68% of annual payroll reduced to 20.70% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the District were $1,005,772 for the year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2021, the District reported a liability of $9,685,432 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. 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. At June 30, 2020, the District's proportion was 0.032 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2019.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2021, the District recognized pension expense of $1,974,630. At June 30, 2021, the District reported no deferred inflows of resources related to pensions and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between projected and actual earnings on plan investments	$ 201,620
Differences between expected and actual experience	480,368
Changes in assumptions	35,517
Changes in proportion and differences between District contributions and proportionate share of contributions	74,466
District contributions subsequent to the measurement date	1,005,772
Total	$ 1,797,743

The $1,005,772 reported as 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 year ended June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2022	$ 305,928
2023	218,963
2024	170,802
2025	96,278
Total	$ 791,971

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

*An expected inflation of 2.00% used for this period.
**An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 13,924,575	$ 9,685,432	$ 6,167,156

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. 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, 2021.

B. 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, 2021.

C. Construction Commitments

As of June 30, 2021, the District had no commitments with respect to unfinished capital projects.

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2021, total deferred outflows related to pensions was $7,169,832 and total deferred inflows related to pensions was $544,065.

NOTE 14 – RESTATEMENT OF NET POSITION AND FUND BALANCE

The amounts previously reported at June 30, 2020 as the ending net position for Governmental Activities and Fiduciary Activities and the ending fund balance for the General Fund have been restated due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. Based on the clarifications provided by GASB Statement No. 84 and California Education Code regarding associated student body (ASB) and scholarship accounts, it has been determined that the District's ASB and scholarship accounts are not fiduciary because they do not meet the criteria established by GASB Statement No. 84, paragraph 11(c)(2) regarding administrative involvement. The June 30, 2020 ending balances have been restated as follows:

	Governmental Activities	Private-Purpose Trust Fund
Net Position - Beginning, as Previously Reported	$ 5,416,798	$ 5,558
Restatement	124,874	(5,558)
Net Position - Beginning, as Restated	$ 5,541,672	$ -

	General Fund
Fund Balance - Beginning, as Previously Reported	$ 6,202,826
Restatement	124,874
Fund Balance - Beginning, as Restated	$ 6,327,700

REQUIRED SUPPLEMENTARY INFORMATION

WATERFORD UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 19,226,446	$ 20,835,035	$ 20,795,377	$ (39,658)
Federal sources	1,787,952	3,991,505	9,251,008	5,259,503
Other state sources	543,265	746,977	2,564,759	1,817,782
Other local sources	4,007,170	4,386,220	4,618,858	232,638
Total Revenues	25,564,833	29,959,737	37,230,002	7,270,265
EXPENDITURES				
Certificated salaries	9,686,809	9,835,408	10,268,769	(433,361)
Classified salaries	4,438,874	4,427,343	4,376,766	50,577
Employee benefits	5,268,480	5,321,740	4,945,928	375,812
Books and supplies	1,034,509	3,125,585	1,876,977	1,248,608
Services and other operating expenditures	4,661,827	5,528,976	4,623,880	905,096
Capital outlay	-	17,093	422,183	(405,090)
Other outgo				
Excluding transfers of indirect costs	1,975,682	1,929,581	1,740,898	188,683
Transfers of indirect costs	(8,866)	(62,420)	(100,000)	37,580
Total Expenditures	27,057,315	30,123,306	28,155,401	1,967,905
NET CHANGE IN FUND BALANCE	(1,492,482)	(163,569)	9,074,601	9,238,170
Fund Balance - Beginning	6,319,676	6,319,676	6,319,676	-
Fund Balance - Ending	$ 4,827,194	$ 6,156,107	$ 15,394,277	$ 9,238,170

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On-behalf payments of $1,030,708 are not included in the actual revenues and expenditures reported in this schedule.
- In addition, audit adjustments are not included in this schedule.

See accompanying note to required supplementary information.

WATERFORD UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.018%	0.016%	0.016%	0.016%	0.016%	0.016%	0.016%
District's proportionate share of the net pension liability	$ 17,667,465	$ 14,810,499	$ 15,116,732	$ 14,727,933	$ 12,683,145	$ 10,665,115	$ 9,151,232
State's proportionate share of the net pension liability associated with the District	9,107,506	8,080,181	8,655,021	8,712,991	7,221,351	5,640,655	5,844,573
Total	$ 26,774,971	$ 22,890,680	$ 23,771,753	$ 23,440,924	$ 19,904,496	$ 16,305,770	$ 14,995,805
District's covered payroll	$ 9,975,742	$ 8,934,613	$ 8,899,630	$ 8,455,153	$ 5,764,312	$ 7,517,101	$ 6,975,006
District's proportionate share of the net pension liability as a percentage of its covered payroll	177.1%	165.8%	169.9%	174.2%	220.0%	141.9%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

WATERFORD UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.032%	0.031%	0.031%	0.030%	0.028%	0.028%	0.027%
District's proportionate share of the net pension liability	$ 9,685,432	$ 9,168,433	$ 8,218,632	$ 7,104,190	$ 5,592,301	$ 4,190,362	$ 3,110,386
District's covered payroll	$ 4,595,535	$ 4,390,816	$ 4,113,074	$ 3,783,865	$ 3,396,565	$ 3,168,303	$ 2,876,149
District's proportionate share of the net pension liability as a percentage of its covered payroll	210.8%	208.8%	199.8%	187.7%	164.6%	132.3%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

WATERFORD UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 1,564,143	$ 1,686,619	$ 1,453,711	$ 1,283,506	$ 1,063,162	$ 848,848	$ 667,250
Contributions in relation to the contractually required contribution*	(1,564,143)	(1,686,619)	(1,453,711)	(1,283,506)	(1,063,162)	(848,848)	(667,250)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 9,784,781	$ 9,975,742	$ 8,934,613	$ 8,899,630	$ 8,455,153	$ 5,764,312	$ 7,517,101
Contributions as a percentage of covered payroll	15.99%	16.91%	16.27%	14.42%	12.57%	14.73%	8.88%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

WATERFORD UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 1,005,772	$ 904,546	$ 793,662	$ 637,138	$ 524,784	$ 402,845	$ 372,941
Contributions in relation to the contractually required contribution*	(1,005,772)	(904,546)	(793,662)	(637,138)	(524,784)	(402,845)	(372,941)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 4,778,978	$ 4,595,535	$ 4,390,816	$ 4,113,074	$ 3,783,865	$ 3,396,565	$ 3,168,303
Contributions as a percentage of covered payroll	21.05%	19.68%	18.08%	15.49%	13.87%	11.86%	11.77%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

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

Schedule of the District's Proportionate Share of the Net Pension Liability
This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

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

Changes in Assumptions
There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

Schedule of District Contributions
This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2021, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	**Actual**	**Excess**
General Fund			
Certificated salaries	$ 9,835,408	$ 10,268,769	$ 433,361
Capital outlay	$ 17,093	$ 422,183	$ 405,090

SUPPLEMENTARY INFORMATION

WATERFORD UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 580,142
Comprehensive Support and Improvement for LEAs	84.010	15438	10,279
Subtotal Title I, Part A			590,421
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	49,799
Title III, English Learner Student Program	84.365	14346	34,215
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	44,778
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	562,784
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	21,440
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	138,923
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	469,478
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	113,952
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15548	135,652
Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425	15535	65,272
Subtotal Education Stabilization Fund Discretionary Grants			923,277
Total U. S. Department of Education			2,226,714
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	431,961
National School Lunch Program	10.555	13391	649,094
USDA Commodities	10.555	*	66,712
Subtotal Child Nutrition Cluster			1,147,767
Total U. S. Department of Agriculture			1,147,767
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Education:			
Child Development CRRSA Act - One-Time Stipend	93.575	15555	7,166
Head Start	93.600	10016	947,877
Total U. S. Department of Health & Human Services			955,043
U. S. DEPARTMENT OF THE TREASURY:			
Passed through California Department of Education:			
COVID-19 Emergency Acts Funding:			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	25516	1,846,953
Total U. S. Department of the Treasury			1,846,953
Total Federal Expenditures			$ 6,176,477

***** - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

WATERFORD UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2021

Grade Level	2020-21 Number of Days	Status
Kindergarten	180	Complied
Grade 1	180	Complied
Grade 2	180	Complied
Grade 3	180	Complied
Grade 4	180	Complied
Grade 5	180	Complied
Grade 6	180	Complied
Grade 7	180	Complied
Grade 8	180	Complied
Grade 9	180	Complied
Grade 10	180	Complied
Grade 11	180	Complied
Grade 12	180	Complied

See accompanying note to supplementary information.

WATERFORD UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

	2022 (Budget)	2021	2020	2019
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 29,467,599	$ 37,230,002	$ 27,398,165	$ 26,433,093
Expenditures And Other Financing Uses	30,650,620	28,155,401	26,515,848	25,701,047
Net change in Fund Balance	$ (1,183,021)	$ 9,074,601	$ 882,317	$ 732,046
Ending Fund Balance	$ 14,211,256	$ 15,394,277	$ 6,319,676	$ 5,437,359
Available Reserves*	$ 7,229,728	$ 6,153,805	$ 4,080,520	$ 3,446,144
Available Reserves As A Percentage Of Outgo	23.59%	21.86%	15.39%	13.41%
Long-term Liabilities	$ 33,809,249	$ 34,525,451	$ 31,653,590	$ 31,494,427
Average Daily Attendance At P-2***	1,697	1,724	1,724	1,727

The General Fund balance has increased by $9,956,918 over the past two years. The fiscal year 2021-22 budget projects a decrease of $1,183,021. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2021-22 fiscal year. Total long-term obligations have increased by $3,031,024 over the past two years.

Average daily attendance has decreased by 3 ADA over the past two years. A further decrease of 27 ADA is anticipated during the 2021-22 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**On-behalf payments of $1,030,708 are not included in the actual revenues and expenditures reported in this schedule. Audit adjustments are also not reflected in this schedule.

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

WATERFORD UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Private-Purpose Trust Fund
June 30, 2021, annual financial and budget report fund balance	$ 15,394,277	$ 3,619
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Revenue audit adjustments	(6,329,573)	-
Fund balance transfer (GASB 84)	3,619	(3,619)
Associated student body funds (GASB 84)	128,111	-
Net adjustments and reclassifications	(6,197,843)	(3,619)
June 30, 2021, audited financial statement fund balance	$ 9,196,434	$ -

See accompanying note to supplementary information.

WATERFORD UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2021

Charter #	Charter School	Status	Included in Audit Report
0477	Connecting Waters Charter	Active	No

See accompanying note to supplementary information.

WATERFORD UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2021

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS								
Cash and investments	$ -	$ 729,974	$ 602,435	$ 775,799	$ 1,988	$ 160,711	$ 723,413	$ 2,994,320
Accounts receivable	156,217	196,944	-	-	-	-	-	353,161
Stores inventory	-	6,700	-	-	-	-	-	6,700
Total Assets	$ 156,217	$ 933,618	$ 602,435	$ 775,799	$ 1,988	$ 160,711	$ 723,413	$ 3,354,181
LIABILITIES								
Accrued liabilities	$ 39,640	$ 47,870	$ -	$ -	$ -	$ 1,950	$ -	$ 89,460
Due to other funds	20,773	-	-	-	-	-	-	20,773
Total Liabilities	60,413	47,870	-	-	-	1,950	-	110,233
FUND BALANCES								
Non-spendable	-	7,200	-	-	-	-	-	7,200
Restricted	95,804	908,854	-	775,799	1,988	158,761	723,413	2,664,619
Committed	-	-	602,435	-	-	-	-	602,435
Unassigned	-	(30,306)	-	-	-	-	-	(30,306)
Total Fund Balances	95,804	885,748	602,435	775,799	1,988	158,761	723,413	3,243,948
Total Liabilities and Fund Balance	$ 156,217	$ 933,618	$ 602,435	$ 775,799	$ 1,988	$ 160,711	$ 723,413	$ 3,354,181

See accompanying note to supplementary information.

WATERFORD UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
REVENUES								
Federal sources	$ 955,044	$ 1,213,039	$ -	$ -	$ -	$ -	$ -	$ 2,168,083
Other state sources	68,008	91,925	-	-	-	-	6,577	166,510
Other local sources	(446)	6,935	9,269	334,395	29	2,586	641,928	994,696
Total Revenues	1,022,606	1,311,899	9,269	334,395	29	2,586	648,505	3,329,289
EXPENDITURES								
Current								
Instruction	625,002	-	-	-	-	-	-	625,002
Instruction-related services								
Instructional supervision and administration	172,563	-	-	-	-	-	-	172,563
Pupil services								
Food services	-	752,443	-	-	-	-	-	752,443
All other pupil services	127,761	-	-	-	-	-	-	127,761
General administration								
All other general administration	59,687	40,312	-	-	-	-	-	99,999
Plant services	61,895	147,465	-	-	-	-	-	209,360
Facilities acquisition and maintenance	-	19,488	64,261	-	-	18,223	-	101,972
Community services	2,237	-	-	-	-	-	-	2,237
Debt service								
Principal	-	-	-	-	-	-	655,000	655,000
Interest and other	-	-	-	-	-	-	990	990
Total Expenditures	1,049,145	959,708	64,261	-	-	18,223	655,990	2,747,327
NET CHANGE IN FUND BALANCE	(26,539)	352,191	(54,992)	334,395	29	(15,637)	(7,485)	581,962
Fund Balance - Beginning	122,343	533,557	657,427	441,404	1,959	174,398	730,898	2,661,986
Fund Balance - Ending	$ 95,804	$ 885,748	$ 602,435	$ 775,799	$ 1,988	$ 158,761	$ 723,413	$ 3,243,948

See accompanying note to supplementary information.

The Waterford Unified School District was unified on July 1, 1998 and consists of an area comprising approximately 25 square miles. The District operates one elementary school, one middle school, and one high school. There were no boundary changes during the 2020-21 year.

GOVERNING BOARD

Member	Office	Term Expires
Lisa Hawkins	President	2024
Matt Erickson	Trustee	2024
Vanessa Anderson	Trustee	2022
Tim Bomgardner	Trustee	2022
Sheila Collins	Trustee	2022

DISTRICT ADMINISTRATORS

Don Davis
Superintendent

Jose Aldaco
Assistant Superintendent

Sarah Yarbrough
Business Manager

See accompanying note to supplementary information.

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 following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2021 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2021.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 6,289,187
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	(111,318)
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	(1,392)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 6,176,477

The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District audit.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

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.

OTHER INDEPENDENT AUDITORS’ REPORTS

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*

Independent Auditors' Report

Governing Board
Waterford Unified School District
Waterford, 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 Waterford Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Waterford Unified School District's basic financial statements, and have issued our report thereon dated March 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterford Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterford Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterford Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Findings #2021-001 and #2021-002)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterford Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Waterford Unified School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
March 7, 2022

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

Governing Board
Waterford Unified School District
Waterford, California

Report on Compliance for Each Major Federal Program

We have audited Waterford Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Waterford Unified School District's major federal programs for the year ended June 30, 2021. Waterford Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Waterford Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waterford Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Waterford Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Waterford Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

348 Olive Street
San Diego, CA
92103
O: 619-270-8222
F: 619-260-9085
christywhite.com

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding #2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Waterford Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Waterford Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Waterford Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Waterford Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Waterford Unified School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Christy White, Inc.

San Diego, California
March 7, 2022

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Waterford Unified School District
Waterford, California

Report on State Compliance

We have audited Waterford Unified School District's compliance with the types of compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Waterford Unified School District's state programs for the fiscal year ended June 30, 2021, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Waterford Unified School District's state 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 *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about Waterford Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Waterford Unified School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, Waterford Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2021.

348 Olive Street
San Diego, CA
92103
O: 619-270-8222
F: 619-260-9085
christywhite.com

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Waterford Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools	
Independent Study-Course Based; for charter schools	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

Christy White, Inc.

San Diego, California
March 7, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WATERFORD UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENTS	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	Yes
Identification of major programs:	

AL Number(s)	Name of Federal Program or Cluster
84.425, 84.425C, 84.425D, 84.425U	Education Stabilization Fund Discretionary Grants
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

FINDING #2021-001: FINANCIAL REPORTING (30000)

Criteria: The California Education Code, California School Accounting Manual, and best business practices require an entity to maintain a sound financial system that supports financial reporting and budget monitoring. Compliance with this requirement includes proper accruals as of year-end and maintaining proper supporting documentation for year-end accruals and the closing process.

Condition: We noted transactions that were not properly accounted for during substantive testing of balances and transactions as of and for the year ended June 30, 2021. We noted the following control weaknesses related to financial reporting:

- Federal sources and the related unearned revenue and accounts receivable balances were not properly accrued as of June 30, 2021 for the following programs:
    - Title I, Part A
    - ESSA: School Improvement Funding for LEAs
    - Elementary and Secondary School Emergency Relief: ESSER I
    - Elementary and Secondary School Emergency Relief: ESSER II
    - Title II, Part A Teacher Quality
    - Title IV, Part A, Student Support and Academic
    - Title III, Immigrant Education Program
    - Title III, Limited English Proficient (LEP)
- State sources and the related unearned revenue and accounts receivable balances were not properly accrued as of June 30, 2021 for the following programs.
    - Career Technical Education Incentive Grant Program
    - In Person Instruction (IPI) Grant
    - Expanded Learning Opportunities (ELO) Grant

Cause: District oversight of regular necessary closing entries.

Effect: Potential for incorrect reporting of balance sheet items and transactions.

Repeat Finding: No.

Recommendation: The District is responsible for understanding and maintaining information related to year end accruals and journal entries to close its fiscal year financial reporting. Consistent supervision, adequately trained staff in all areas, and communication between the County Office of Education and District Office must be a high priority of the District. In addition, we recommend that the District utilize a CAT Form or equivalent to help calculate and track these entries.

Corrective Action Plan: The Business Office will perform the proposed entry from Christy White Associates. The Business Manager has spoken with the partner to gain a better understanding of the regulations put in place for all new Coronavirus funds. The Business Manager will also keep up with professional development to prevent further mistakes. The District has already met with a consultant, Terri Ryland, and brainstormed what tasks can be delegated to the Fiscal Analyst in order to prevent further mistakes due to unmanageable work load.

FINDING #2021-002: CAPITAL ASSETS INVENTORY (20000)

Criteria: District's fixed asset policies require the capitalization and annual depreciation of capital assets with a current value of $5,000 or more. Per GASB Statement 34 and Education Code Section 35168, the District must maintain current, auditable asset listings to support the amount reported on the government-wide statement of net position. Physical inventory counts should be performed approximately every two years (or as deemed necessary) to verify accuracy of asset listing and valuations. This inventory should include a current detail of construction projects in progress and their related costs, which will then be depreciated once the projects have been closed out and placed into service.

Condition: We determined that a detailed listing of fixed assets had not shown changes in construction in progress balances. The construction in progress balance had increased in this year and previous years with no reductions to reflect completed projects placed into service to begin depreciation. In addition, the District is utilizing a fixed asset software for historical assets and utilizing an excel spreadsheet for new assets.

Perspective/Context: Governmental accounting standards require property, plant and equipment to be inventoried and valuated every two years for a District this size. For construction projects, this should be an ongoing process that tracks the related costs and begins depreciating the assets once they are placed into service.

Effect: Without completing regular updates of physical inventory and construction in progress listings, the District does not maintain adequate control over buildings, site improvements, and other assets as they relate to the government-wide financial statements and the related depreciation expenses.

Cause: There has been turnover in positions that maintain and update the capital asset listing and construction in progress.

Repeat Finding: This is a repeat finding of Finding #2020-001.

Recommendation: We recommend the District implement procedures that ensure the capital asset listing is updated and verified by performing an annual physical inventory. This process may require the assistance of an outside consulting firm. It may not be necessary to conduct the inventory each year for all sites within the District, however, the procedures should ensure, that during a two-year cycle, all District sites have performed a physical inventory. Completed construction projects should begin recognizing depreciation expense in the fiscal year in which they are placed into service. In addition, we recommend that the District utilize one method for maintaining capital asset schedules, either a fixed asset tracking system or Excel.

Corrective Action Plan: The Business Office is contracting with Associated Value Services (AVS) before the end of the year to complete a full re-assessment of existing assets in the beginning balance. The District feels that this is the only solution as no accurate asset listing exists before the 2018-19 school year. This will be done before the end of the 2021-22 schoolyear.

FIVE DIGIT CODE	**AB 3627 FINDING TYPE**
50000	Federal Compliance

FINDING #2021-003: FEDERAL COMPLIANCE – TIME REPORTING (50000)

CFDA Number and Title: 84.425D **-** Elementary and Secondary School Emergency Relief (ESSER) Fund

Federal Grantor Name: U.S. Department of Education; Passed through California Department of Education

Criteria: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, requires an accounting for personnel time on multi-funded positions by the time spent on each program and to semi-annually certify positions charged 100% to federal programs. Standards for Documentation of Personnel Expenses Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Be incorporated into the official records of the non-Federal entity
- Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities
- Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- Comply with the established accounting policies and practices of the non-Federal entity
- Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.
- Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes.

Condition: Auditor selected employees with salaries coded during the month of November to the Education Stabilization Fund (Resource 3210). 2/2 employees tested with salaries coded to the Education Stabilization Fund (Resource 3210) during the month of February 2021 did not have any time certifications on file for the 2020-21 year. It is required that the time certifications for single funded employees be prepared twice a year and monthly for multi-funded employees.

Cause: The District has not been following its policy for proper time accounting.

Effect: The District is not in compliance.

Questioned Costs: Although the District was not in compliance, we did not find any questionable costs.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend they prepare time certification semi-annually for single funded employees and monthly for multi-funded employees.

Views of Responsible Officials: See Corrective Action Plan beginning on Page 70.

WATERFORD UNIFIED SCHOOL DISTRICT

219 N. REINWAY AVENUE, BUILDING 2
WATERFORD, CALIFORNIA 95386
PHONE (209) 874-1809 – FAX (209) 874-3109

March 4, 2022

Christy White, Inc.
348 Olive Street
San Diego, CA 92103

Response to audit finding #2021-003

The Business Office in coordination with the HR Department is developing a time certification document from examples provided by the audit staff at Christy White, Inc. and other samples collected from other districts. Any employee paid from federal funds, whether they are 100% federally funded or less will be required to sign the document twice a year. This will be done once at the beginning of the school year, and once at the end of the school year, on or before May 15th.

Sincerely,

Sarah Yarbrough
Business Manager

WATERFORD UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no state award findings or questioned costs for the year ended June 30, 2021.

FINDING #2020-001: CAPITAL ASSETS INVENTORY (20000)

Criteria: District's fixed asset policies require the capitalization and annual depreciation of capital assets with a current value of $5,000 or more. Per GASB Statement 34 and Education Code Section 35168, the District must maintain current, auditable asset listings to support the amount reported on the government-wide statement of net position. Physical inventory counts should be performed approximately every two years (or as deemed necessary) to verify accuracy of asset listing and valuations. This inventory should include a current detail of construction projects in progress and their related costs, which will then be depreciated once the projects have been closed out and placed into service.

Condition: We determined that a detailed listing of fixed assets had not shown changes in construction in progress balances. The construction in progress balance had increased in this year and previous years with no reductions to reflect completed projects placed into service to begin depreciation.

Perspective/Context: Governmental accounting standards require property, plant and equipment to be inventoried and valuated every two years for a District this size. For construction projects, this should be an ongoing process that tracks the related costs and begins depreciating the assets once they are placed into service.

Effect: Without completing regular updates of physical inventory and construction in progress listings, the District does not maintain adequate control over buildings, site improvements, and other assets as they relate to the government-wide financial statements and the related depreciation expenses.

Cause: There has been turnover in positions that maintain and update the capital asset listing and construction in progress.

Repeat Finding: This is a repeat finding of Finding #2019-001

Recommendation: We recommend the District implement procedures that ensure the capital asset listing is updated and verified by performing an annual physical inventory. This process may require the assistance of an outside consulting firm. It may not be necessary to conduct the inventory each year for all sites within the District, however, the procedures should ensure, that during a two-year cycle, all District sites have performed a physical inventory. Completed construction projects should begin recognizing depreciation expense in the fiscal year in which they are placed into service.

Corrective Action Plan: The District is still utilizing Associated Value Services (AVS) to track assets, even those under $5,000. The District has implemented a new worksheet every year to show additions, deletions, and depreciation and presents it in its unaudited actuals. However, the beginning balance of work in progress is still outstanding. Sarah Yarbrough, Business Manager, will work with staff from prior years to determine if an adjustment should be made for 2020-21.

Current Status: Not implemented, see Finding #2021-002.

APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY OF STANISLAUS

The following information concerning Stanislaus County (the "County") is included only for the purpose of supplying general information regarding the area served by the District. The Bonds are not a debt of the County, the State of California (the "State"), or any of the State's other political subdivisions; and neither the County, the State, nor any of the State's other political subdivisions is liable for the Bonds. Neither the District nor the Underwriter has independently verified the information set forth herein.

Introduction

The District is located in the County. The County, which was incorporated on April 1, 1854, is located in the Central Valley of California, east of the San Francisco Bay Area. The County covers an area of approximately 1,515 square miles. It is the sixteenth most populated county in California, with a population in excess of 555,000. The City of Modesto is the County seat. Education, health services, government and agriculture are major contributors to the County's economy.

Population

The following table shows historical population statistics for the cities in the County as well as the County.

POPULATION
CITIES OF STANISLAUS COUNTY
Calendar Years 2016 through 2021

	2016	2017	2018	2019	2020	2021
Ceres	47,851	48,365	48,498	48,625	48,886	48,901
Hughson	7,087	7,182	7,218	7,231	7,260	7,303
Modesto	211,546	214,233	215,800	217,091	218,440	219,294
Newman	11,057	11,379	11,694	11,921	11,950	11,962
Oakdale	22,118	22,517	22,776	23,033	23,109	23,237
Patterson	21,785	22,247	22,762	23,086	23,150	23,304
Riverbank	24,094	24,734	24,856	25,041	25,133	25,189
Turlock	73,163	74,180	74,495	74,784	75,030	74,820
Waterford	8,752	8,837	8,852	8,855	8,913	8,944
Balance of County	111,799	113,244	113,338	113,464	113,060	113,014
Incorporated	427,453	433,674	436,951	439,667	441,871	442,954
County Total	539,252	546,918	550,289	553,131	554,931	555,968

Source: California State Department of Finance, E-4 Population Estimates for Cities, Counties and State, 2011-21, with 2010 Benchmark, May 2021.

Employment

The County, State and United States civilian labor force figures are shown in the following table for the years 2016 through 2020, the most recent annual information available. The County figures are County-wide and may not necessarily reflect employment trends in the District.

STANISLAUS COUNTY, CALIFORNIA, AND UNITED STATES
Labor Force, Employment, and Unemployment[(1)]

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate[(2)]
2016				
Stanislaus County	242,700	221,800	21,000	8.6%
California	19,012,000	17,965,400	1,046,600	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
Stanislaus County	242,100	223,900	18,200	7.5
California	19,173,800	18,246,800	927,000	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
Stanislaus County	243,100	227,300	15,800	6.5
California	19,263,900	18,442,400	821,500	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
2019				
Stanislaus County	242,500	227,500	14,900	6.2
California	19,353,700	18,550,500	803,200	4.2
United States	163,539,000	157,538,000	6,001,000	3.7
2020				
Stanislaus County	240,600	214,900	25,800	10.7
California	18,821,200	16,913,100	1,908,100	10.1
United States	160,742,000	147,795,000	12,947,000	8.1

(1) Data reflects employment status of individuals by place of residence.
(2) Unemployment rate is based on unrounded data.
Source: California Employment Development Department; Labor Market Information Division, March 2020 Benchmark, and U.S. Department of Labor.

Industry

The following table shows the estimated employment by industry group for 2016 through 2020.

COUNTY OF STANISLAUS
EMPLOYMENT BY INDUSTRY
ANNUAL AVERAGES
2016 through 2020 by Class of Work

	2016	2017	2018	2019	2020
Farm Total	14,900	14,300	14,400	14,900	14,500
Mining, logging and construction	9,000	9,300	10,200	10,500	9,800
Manufacturing	21,800	21,300	20,900	21,200	21,300
Wholesale trade	6,000	6,100	6,300	6,200	6,000
Retail trade	22,700	23,200	23,200	22,800	21,900
Transportation, warehousing & utilities	8,000	7,600	7,900	8,200	9,200
Information	1,000	1,000	1,000	1,000	800
Financial Activities	6,300	6,300	6,300	6,300	6,000
Professional and business services	14,600	14,900	15,400	15,300	14,900
Educational and health services	31,200	32,600	33,600	34,700	34,300
Leisure and hospitality	18,700	19,200	19,300	19,200	15,700
Other Services	5,400	5,700	5,800	5,900	5,100
Federal Government	800	800	800	800	900
State Government	2,000	2,100	2,200	2,100	2,100
Local Government	24,800	25,500	26,600	27,400	26,000
Total, All Industries(1)	186,200	189,100	183,600	196,200	187,400

(1) Totals may not add due to rounding.
Source: California Employment Development Department, Labor Market Information, March 2020 Benchmark.

Major Employers within the County

The County is host to a diverse mix of major employers representing industries ranging from agriculture and government to manufacturing, wholesale, health services, and education. The following table lists the County's major employers in alphabetical order without regard to the number of employers.

COUNTY OF STANISLAUS
2021 MAJOR EMPLOYERS

Employer	Location	Industry
Amazon Fulfillment Ctr	Patterson	Mail Order Fulfillment Service
Bartles & Jaymes Co	Modesto	Wineries (mfrs)
Bronco Wine Co	Ceres	Wineries (mfrs)
City-Modesto-Police Dept Bus	Modesto	Police Departments
Conagra Brands Inc	Oakdale	Food Products (whls)
Del Monte Foods Inc	Modesto	Food Products & Manufacturers
Duarte Nursery Inc	Hughson	Nurserymen
E & J Gallo Winery	Modesto	Wineries (mfrs)
Emanuel Medical Ctr	Turlock	Hospitals
Foster Farms	Turlock	Poultry Processing Plants (mfrs)
Frito-Lay Inc	Modesto	Potato Chips (whls)
Health Services Agency	Modesto	Clinics
Memorial Medical Ctr	Modesto	Hospitals
Modesto Bee	Modesto	Newspapers (publishers/Mfrs)
Modesto Irrigation District	Modesto	Utilities
Oak Valley Hospital District	Oakdale	Health Care Management
Pacific Southwest Contnr LLC	Modesto	Corrugated & Solid Fiber Boxes (mfrs)
Patterson City Office	Modesto	Government Offices-City/Village & Twp
Stanislaus County Health Svc	Modesto	Clinics
Stanislaus County Welfare Dept	Modesto	Government Offices-County
Storer Coachways	Modesto	Buses-Charter & Rental
Sysco Central California Inc	Modesto	Food Products (whls)
Temsa	Turlock	Nonclassified Establishments
Turlock Irrigation District	Turlock	Electric Companies
Walmart	Modesto	Department Stores

Source: California Employment Development Department: America's Labor Market Information System (ALMIS) Employer Database, 2022 1st Edition. Employer information provided by Infogroup, Omaha NE, 800/555-5211.

Commercial Activity

The following table shows the taxable transactions in the City and County between 2015 and 2020.

CITY OF WATERFORD
Taxable Transactions
Fiscal Years 2015 through 2020
(Dollars in Thousands)

	Total Retail and Food Services	Total All Outlets
2015	$31,396	$49,143
2016	32,203	46,945
2017	34,789	48,681
2018	37,275	51,076
2019	38,362	49,366
2020	38,514	51,054

Source: California Department of Tax and Fee Administration.

COUNTY OF STANISLAUS
Taxable Transactions
Fiscal Years 2015 through 2020
(Dollars in Thousands)

	Total Retail and Food Services	Total All Outlets
2015	$5,501,959	$8,240,827
2016	5,738,560	8,742,754
2017	6,054,078	8,972,620
2018	6,245,295	9,298,941
2019	6,465,963	9,679,826
2020	6,931,238	10,087,295

Source: California Department of Tax and Fee Administration.

Income

Total personal income and per capita personal income in the County, the State, and the United States are shown in the following tables. Total personal income in the County increased by 64.31% between 2010 and 2020. Per capita personal income in the County grew by 53.87% between 2010 and 2020.

COUNTY OF STANISLAUS
Personal Income
2010-2020
(Dollars in Thousands)

Year	County of Stanislaus(1)	California(2)	United States(2)
2010	$16,388,842	$1,614,040.8	$12,586,509.0
2011	17,046,112	1,715,227.0	13,330,436.0
2012	17,695,226	1,827,166.9	14,003,346.0
2013	18,119,224	1,857,200.9	14,189,228.0
2014	19,595,042	1,980,736.8	14,969,527.0
2015	21,021,674	2,125,430.3	15,681,233.0
2016	21,674,497	2,218,457.8	16,092,713.0
2017	22,365,427	2,318,644.4	16,845,028.0
2018	22,927,585	2,431,822.0	17,681,159.0
2019	23,860,986	2,544,235.0	18,402,004.0
2020	26,928,822	2,763,312.0	19,607,447.0

(1) All dollar estimates are in thousands of current dollars (not adjusted for inflation). Statistics presented in thousands of dollars do not indicate more precision than statistics presented in millions of dollars.
(2) All dollar estimates are in millions of current dollars (not adjusted for inflation). Calculations are performed on unrounded data.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

COUNTY OF STANISLAUS, CALIFORNIA, AND USA
Per Capita Personal Income
2010-2020
(in Dollars)

Year	County of Stanislaus[(1)(3)]	California[(2)(4)]	United States[(1)(4)]
2010	$31,815	$43,249	$40,690
2011	32,938	45,574	42,783
2012	34,007	48,154	44,614
2013	34,624	48,549	44,894
2014	37,125	51,332	47,017
2015	39,444	54,632	48,725
2016	40,213	56,667	49,812
2017	41,076	58,942	51,811
2018	41,850	61,663	54,098
2019	43,402	64,513	56,047
2020	48,954	70,192	59,510

(1) Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2020 reflect county population estimates available as of March 2021. These estimates are based on the 2010 census.
(2) Per capita personal income is total personal income divided by total midyear population. BEA state per capita personal income statistics are calculated using Census Bureau midyear population estimates. These annual midyear estimates are based on the 2010 census.
(3) All dollar estimates are in thousands of current dollars (not adjusted for inflation). Statistics presented in thousands of dollars do not indicate more precision than statistics presented in millions of dollars.
(4) All dollar estimates are in millions of current dollars (not adjusted for inflation). Calculations are performed on unrounded data.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Date]

Board of Trustees
Waterford Unified School District
219 North Reinway Ave. Building 2
Waterford, CA 95386

$__________
WATERFORD UNIFIED SCHOOL DISTRICT
STANISLAUS COUNTY, CALIFORNIA
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES A

FINAL APPROVING OPINION OF BOND COUNSEL

Ladies and Gentlemen:

We have acted as bond counsel for the Waterford Unified School District, County of Stanislaus, State of California (the "District") in connection with the issuance by the District of $__________ aggregate principal amount of the Waterford Unified School District, Stanislaus County, California, General Obligation Bonds, Election of 2016, Series A (the "Bonds"). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended, and that certain resolution (the "Resolution") and paying agent agreement dated as of June 1, 2022, by and between the District and Zions Bancorporation, National Association, (the "Paying Agent Agreement") relating to the Bonds, adopted by the Governing Board of the District on April 14, 2022. All terms used herein and not otherwise defined shall have the meanings given to them in the Paying Agent Agreement.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution and Paying Agent Agreement. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and others as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Paying Agent Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any effect on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof.

We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and Paying Agent Agreement We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Paying Agent Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion herein with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the District.

2. The Bonds are payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount, except for certain personal property that is taxable at limited rates.

3. Interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

Ownership of tax-exempt obligations such as the Bonds may result in collateral tax consequences. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner of the Bonds or such owner's other items of income or deduction. We express no opinion with respect to any federal, state, or local tax consequences, under present law or any proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Very truly yours,

LOZANO SMITH, LLP

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$10,650,000
WATERFORD UNIFIED SCHOOL DISTRICT
STANISLAUS COUNTY, CALIFORNIA
GENERAL OBLIGATION BONDS
ELECTION OF 2016, SERIES A

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Waterford Unified School District (the "District") in connection with the issuance of the $___________ aggregate principal amount of the Waterford Unified School District, Stanislaus County, California, General Obligation Bonds, Election of 2016, Series A (the "Bonds") pursuant to a Paying Agent Agreement, dated as of June 1, 2022, between the District and Zions Bancorporation, National Association (the "Paying Agent"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being delivered by the District for the benefit of the Bondholders and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. Unless the context otherwise requires, the definitions set forth in the Paying Agent Agreement apply to this Disclosure Certificate. The following additional capitalized terms shall have the following meanings:

Annual Report means any Annual Report provided by the District pursuant to, and as described in, Sections 3 (Provision of Annual Reports) and 4 (Content of Annual Reports) of this Disclosure Certificate.

Beneficial Owner means any person that (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Bondholders mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

Dissemination Agent means initially, Dale Scott & Company, Inc. 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) a guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

MSRB means the Municipal Securities Rulemaking Board.

Official Statement means the final Official Statement dated _____________, 2022, relating to the Bonds.

Opinion of Counsel means a written opinion of a law firm or attorney experienced in matters relating to interpretation of the Rule.

Participating Underwriter means RBC Capital Markets, LLC, the underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Significant Event means any of the events listed in subsection (a) of Section 5 (Reporting of Significant Events) of this Disclosure Certificate.

Section 3. Provision of Annual Reports.

a. Delivery of Annual Report to Repository. The District shall, or shall cause the Dissemination Agent to, not later than 290 days after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2021-2022 fiscal year, provide to the Repository an Annual Report that is consistent with the requirements of Section 4 (Content of Annual Reports) 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 (Content of Annual Reports) 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.

b. Change of Fiscal Year. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c) (Notice of Significant Events).

c. Delivery of Annual Report to Dissemination Agent. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (Delivery of Annual Report to Repository) for providing the Annual Report to the Repository, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

d. Report of Non-Compliance. If the District is unable to provide an Annual Report to the Repository by the date required in subsection (a) (Delivery of Annual Report to Repository), the Dissemination Agent shall send a notice in a timely manner to the Repository in substantially the form attached as Exhibit A.

e. Annual Compliance Certification. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

a. Financial Statements. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles. 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) (Delivery of Annual Report to Repository), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

b. Annual Budget. The District's approved annual budget for the then-current fiscal year;

c. Most Recent Interim Financial Report. The most recent Interim Financial Report submitted by the Superintendent to the District's Board of Trustees in accordance with Education Code section 42130 (or its successor statutory provision), together with any supporting materials submitted to the Board of Trustees.

d. Assessed Value. The assessed value of taxable property in the jurisdiction of the District as shown on the most recent equalized assessment roll, including the assessed value of the District's top ten secured property taxpayers and their percentage of total secured valuation; and

e. Property Tax Levy and Delinquencies. The property tax levy and collection delinquencies for the District, for the most recently completed fiscal year if the District is no longer a participant in the County's Teeter plan.

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

Section 5. Reporting of Significant Events.

a. Significant Events. Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than 10 business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes;

(ix) bankruptcy, insolvency, receivership or similar event of the obligated party. For the purposes of the event identified in this Section 5(a)(ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the obligated party in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated party, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated party; or

(x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated party, any of which reflect financial difficulties.

b. Significant Events if Material. 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, not later than 10 business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v) hereof, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bondholders;

(iii) optional, unscheduled or contingent Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving the obligated party or the sale of all or substantially all of the assets of the obligated party, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent; or

(viii) incurrence of a Financial Obligation of the obligated party or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated party, any of which affect Bondholders.

c. Notice of Significant Events. Whenever the District obtains knowledge of the occurrence of a Significant Event as described in Section 5(a) hereof, or determines that knowledge of the occurrence of a listed event described in Section 5(b) hereof would be material under applicable Federal securities law, the District shall file, or shall cause the Dissemination Agent (if not the District) to file, a notice of such occurrence with the Repository, in an electronic format as prescribed by the Repository, in a timely manner not in excess of 10 business days after the occurrence.

Section 6. Filings with the Repository. All documents provided to the Repository under this Disclosure Certificate shall be filed in a readable PDF or other electronic format as prescribed by the Repository and shall be accompanied by identifying information as prescribed by the Repository.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the delivery to the District of an Opinion of Counsel to the effect that continuing disclosure is no longer required by the Rule. 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 Significant Event under Section 5(c) (Notice of Significant Events).

Section 8. Dissemination Agent.

a. Appointment of Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Dale Scott & Company, Inc.

b. Compensation of Dissemination Agent. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, Bondholders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an Opinion of Counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

a. Change in Circumstances. If the amendment or waiver relates to the provisions of Sections 3(a) (Delivery of Annual Report to Repository), 4 (Content of Annual Reports), or 5(a) (Significant Events), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the District with respect to the Bonds, or the type of business conducted;

b. Compliance as of Issue Date. The undertaking, as amended or taking into account such waiver, would, based upon an Opinion of Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c. Consent of Bondholders; Non-impairment Opinion. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Paying Agent Agreement for amendments to the Paying Agent Agreement with the consent of Bondholders, or (ii) does not, based on an Opinion of Counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following 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 Significant Event under Section 5(c) (Notice of Significant Events), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Significant 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 Significant Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Significant Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, any Bondholder 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 Paying Agent Agreement, and the sole remedy under this Disclosure Certificate if the District fails to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and 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 reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an Opinion of Counsel. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Bondholders and

Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF the District has caused this Continuing Disclosure Certificate to be signed by its authorized officer on the date written below.

WATERFORD UNIFIED SCHOOL DISTRICT

By: ______________________________
Don Davis, Superintendent

EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: Waterford Unified School District

Name of Bonds: Waterford Unified School District
Stanislaus County, California
General Obligation Bonds
Election of 2016, Series A

Date of Delivery: June 9, 2022

NOTICE IS HEREBY GIVEN that the Waterford Unified School District (the "District") has not provided an Annual Report with respect to the above-named Bonds for the fiscal year ended June 30, ________, as required by a Continuing Disclosure Certificate executed June 9, 2022, with respect to the above-captioned securities. The District anticipates that the Annual Report will be filed by ___________.

Dated: _______________

WATERFORD UNIFIED SCHOOL DISTRICT

[SAMPLE ONLY]

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APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest, and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds, and other related transactions by and between DTC, the DTC Participants, and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent takes any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) bonds 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, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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 Security certificate will be issued for each issue of the Bonds, each in the aggregate principal amount of such issue, 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*.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 affect 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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, distributions, and dividend payments 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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 Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds 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, Bonds 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.

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APPENDIX G

STANISLAUS COUNTY INVESTMENT POOL MONTHLY REPORT DATED JANUARY 31, 2022

The investment pool policy is available from the County of Stanislaus, Office of the Treasurer-Tax Collector, *www.stancounty.com*. Neither the District nor the Underwriter has independently verified the investment pool policy information and neither guarantees the completeness or accuracy thereof. Further Information regarding the Stanislaus County investment pool policy and monthly report may be obtained by contacting the County of Stanislaus, Office of the Treasurer-Tax Collector, 1010 10th Street, Suite 2500, Modesto, California 95354, Telephone (209) 525-6388, Facsimile (209) 525-7868.

The following table reflects the balance in the Stanislaus County investment pool dated as of January 31, 2022:

STANISLAUS COUNTY
POOLED INVESTMENT FUND
PORTFOLIO SUMMARY FOR JANUARY 31, 2022

INVESTMENTS	PAR VALUE	MARKET VALUE	BOOK VALUE	% OF PORTFOLIO
Negotiable CDs	$130,000,000.00	$129,773,955.00	$130,000,000.00	6.45%
Commercial Paper Disc – Amortizing	45,000,000.00	44,909,400.00	44,970,583.33	2.23
Managed Pool Account - LAIF	60,000,000.00	59,846,347.20	60,000,000.00	2.98
Federal Agency Coupon Securities	1,042,484,000.00	1,023,823,347.06	1,043,455,085.84	51.79
Treasury Coupon Securities	185,000,000.00	181,982,450.00	185,276,398.75	9.20
Medium Term Notes	527,734,000.00	522,282,946.26	532,937,365.97	26.45
Municipal Bonds	3,000,000.00	2,940,360.00	3,000,000.00	0.15
Money Market Accounts	14,960,259.52	14,960,259.52	14,960,259.52	0.74
Total	$2,008,178,259.52	$1,980,519,065.04	$2,014,599,693.41	100.00%

Source: Stanislaus County Treasurer-Tax Collector

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APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)