PRELIMINARY OFFICIAL STATEMENT DATED [__________], 2022

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

NEW ISSUE —BOOK-ENTRY ONLY

RATING[S]: [S&P (Insured): "[___]"]
S&P [(Underlying and Uninsured)]: "[___]"
(See "MISCELLANEOUS — Rating[s]" herein.)

[In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series D Bonds [maturing on and after August 1, 2023 (the "Tax-Exempt Bonds")] is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 [and is exempt from State of California personal income taxes]. In the further opinion of Bond Counsel, interest on the [Tax-Exempt][Series D] Bonds is not a specific preference item for purposes of the federal alternative minimum tax. [Bond Counsel is also of the opinion that interest on the Series D Bonds is exempt from State of California personal income taxes.] [Bond Counsel further observes that interest on the Series D Bonds maturing on [________], 2022 (the "Federally Taxable Bonds") is not excluded from gross income for federal income tax purposes.] Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series D Bonds. See "TAX MATTERS" herein.]

$[14,000,000]*
AZUSA UNIFIED SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
2022 GENERAL OBLIGATION BONDS,
ELECTION OF 2014, SERIES D

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

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

The Azusa Unified School District (Los Angeles County, California) 2022 General Obligation Bonds, Election of 2014, Series D (the "Series D Bonds") are being issued by the Azusa Unified School District (the "District"), located in the County of Los Angeles, California (the "County"), (i) to finance specific construction, reconstruction, rehabilitation, or replacement projects approved by the voters of the District, and (ii) to pay costs of issuance of the Series D Bonds, as further described herein. The Series D Bonds were authorized at an election of the voters of the District held on November 4, 2014, at which at least 55% of the voters voting on the proposition authorized the issuance and sale of $92,000,000 aggregate principal amount of bonds of the District. The Series D Bonds are being issued under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Education of the District, adopted on May 3, 2022.

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

The Series D Bonds will be issued as current interest bonds in denominations of $5,000 principal amount, or any integral multiple thereof, as set forth on the inside front cover page hereof. Interest on the [Tax-Exempt][Series D] Bonds is payable on each February 1 and August 1 to maturity or earlier redemption thereof, commencing August 1, 2022. [Interest on the Federally Taxable Bonds is payable at maturity.] Principal of the Series D Bonds is payable in each of the years and in the amounts set forth on the inside front cover page hereof.

[The scheduled payment of principal of and interest on the Series D Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series D Bonds by [_________].

[Insert Insurer logo.]]

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

* *Preliminary; subject to change.*

The Series D Bonds are subject to redemption prior to maturity as described herein.* See "THE SERIES D BONDS – Redemption" herein.

The Series D Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Underwriter's Counsel. It is anticipated that the Series D Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about [__________], 2022.

[Insert RBC logo.]

Dated: __________, 2022

MATURITY SCHEDULE*
BASE CUSIP†: 055033

$[14,000,000]*
AZUSA UNIFIED SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
2022 GENERAL OBLIGATION BONDS, ELECTION OF 2014, SERIES D

$__________ Serial Series D Bonds

Maturity [(August 1,)]	Principal Amount	Interest Rate	Yield	CUSIP Number†
[Federally Taxable Bonds]				
[______], 2022	$	%	%	
[Tax-Exempt Bonds]				
August 1, 2023	$	%	%	
August 1, 2024				
August 1, 2025				
August 1, 2026				
August 1, 2027				
August 1, 2028				
August 1, 2029				
August 1, 2030				
August 1, 2031				
August 1, 2032				
August 1, 2033				
August 1, 2034				
August 1, 2035				
August 1, 2036				
August 1, 2037				
August 1, 2038				
August 1, 2039				
August 1, 2040				
August 1, 2041				
August 1, 2042				
August 1, 2043				
August 1, 2044				
August 1, 2045				
August 1, 2046				
August 1, 2047				

$__________ _____% Term [Tax-Exempt][Series D] Bonds due August 1, 20__ – Yield _____% – CUSIP Number† ___

$__________ _____% Term [Tax-Exempt][Series D] Bonds due August 1, 20__ – Yield _____% – CUSIP Number† ___

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* *Preliminary; subject to change.*

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS database. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)

BOARD OF EDUCATION

Adrian Greer, *President*
Sabrina Bow, Ed.D., *Vice President*
Xilonin Cruz-Gonzalez, *Clerk*
Gabriela Arellanes, *Member*
Yolanda Rodriguez-Peña, *Member*

DISTRICT ADMINISTRATORS

Arturo Ortego, *Superintendent*
Latasha D. Jamal, *Assistant Superintendent, Business Services*
Shannon Norris, *Director of Fiscal Services*

PROFESSIONAL SERVICES

Municipal Advisor

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

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Paying Agent, Registrar and Transfer Agent

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

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

The Series D Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(2) thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series D Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

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

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

[Insurer disclosure to come, if applicable.]

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

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

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

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OFFICIAL STATEMENT

$[14,000,000][*]
AZUSA UNIFIED SCHOOL DISTRICT
(LOS ANGELES COUNTY, CALIFORNIA)
2022 GENERAL OBLIGATION BONDS, ELECTION OF 2014, SERIES D

INTRODUCTION

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

General

This Official Statement, which includes the cover page, inside cover page and appendices hereto, is provided to furnish information in connection with the sale of $[14,000,000][*] aggregate principal amount of Azusa Unified School District (Los Angeles County, California) 2022 General Obligation Bonds, Election of 2014, Series D (the "Series D Bonds"), all as indicated on the inside cover page hereof, to be offered by the Azusa Unified School District (the "District").

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

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

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

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

[*] *Preliminary; subject to change.*

Copies of documents referred to herein and information concerning the Series D Bonds are available from the District by contacting: Azusa Unified School District, 546 South Citrus Avenue, Azusa, California 91702, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District is a unified school district organized under the laws of the State of California (the "State"). The District was formed in 1961, and encompasses an area of approximately 150 square miles including the City of Azusa and portions of the cities of Covina, Glendora, Irwindale and certain unincorporated areas of the County. Prior to the planned March 2022 reorganization, the District operates 9 elementary schools (many of which offer preschool and transitional kindergarten ("TK")), one early childhood school, three middle schools and three high schools (including one continuation high school). In addition, the District operates an adult education center, an adult transition program, and several adult classes at other locations within the District.

In March 2019, the Board of Education of the District (the "Board of Education") approved the closure of the Sierra High School site, and the Mountain View Elementary School. It also approved the conversion of the Gladstone Street Elementary School to the Sierra High School site, which includes an adult education center. As a result, the students served by the Gladstone Street Elementary School were consolidated into the Magnolia Elementary School and Murray Elementary School. The students served by the Mountain View Elementary School were consolidated into the Valleydale Elementary School and Paramount Elementary School.

[In March 2022, the Board of Education approved another school reorganization in the District. Under such reorganization, students served by Ellington TK-8 School and Powell Elementary School will be consolidated into the District's other elementary schools and Ellington TK-8 School and Powell Elementary School will close after the 2022-23 school year. The Board of Education also approved the consolidation of the District's three middle schools to one middle school called the Gladstone Middle School for the 2023-24 school year. Students served by Gladstone High School will be consolidated into Azusa High School starting with the 2023-24 school year and Gladstone High School will close. At the same time, the Gladstone High School site will be converted into the new site of the Gladstone Middle School.] ***[District to review and provide updates.]***

As of the preparation of the District's fiscal year 2021-22 estimated actuals (the "Fiscal Year 2021-22 Estimated Actuals"), total enrollment in the District is estimated at approximately [___] students in fiscal year 2021-22. As of the preparation of the District's fiscal year 2022-23 original adopted budget (the "Fiscal Year 2022-23 Budget"), total enrollment in the District is budgeted to be approximately [___] students in fiscal year 2022-23. The District operates under the jurisdiction of the Los Angeles County Superintendent of Schools. Total assessed valuation of taxable property in the District in fiscal year 2021-22 is approximately $7.97 billion. ***[District to review and provide updates.]***

[The District's estimated actuals for fiscal year 2021-22 and original adopted general fund budget for fiscal year 2022-23 are expected to be adopted by the Board of Trustees on or about [June 20], 2022. The District's original adopted budget for fiscal year 2022-23 will reflect the assumptions contained in the Governor's May revision to the proposed fiscal year 2022-23 State budget, which is summarized in Appendix A. See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *May Revision to Proposed 2022-23 State Budget*." Such assumptions are subject to change in the final fiscal year 2022-23 State budget. See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL

MATTERS – State Funding of Education; State Budget Process – *Changes in State Budget*." District officials do not expect that District's estimated actuals for fiscal year 2021-22 and original adopted general fund budget for fiscal year 2022-23 will contain any information that would be materially adversely different from the District's financial condition set forth herein.]

For additional information about the District, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021."

For specific information on the impact of the Coronavirus Disease 2019 ("COVID-19") pandemic (i) on the security and source of payment for the Series D Bonds, see "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES D BONDS – Assessed Valuation of Property Within the District" and "– Tax Charges and Delinquencies," (ii) on the District's operations and finances, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Infectious Disease Outbreak," (iii) on the fiscal year 2021-22 State budget, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *2021-22 State Budget*," [and] (iv) on the fiscal year 2022-23 proposed State budget, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *Proposed 2022-23 State [Budget*," and (v) on the Governor's May revision to the fiscal year 2022-23 proposed State budget, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *May Revision to Proposed 2022-23 State] Budget*."

[**Municipal Bond Insurance Policy**

Concurrently with the issuance of the Series D Bonds, [________] ("[___]") will issue its Municipal Bond Insurance Policy for the Series D Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series D Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.]

THE SERIES D BONDS

Authority for Issuance; Purpose

Authority for Issuance. The Series D Bonds are issued under the provisions of California Government Code Section 53506 et seq., including Section 53508.7 thereof, and California Education Code Sections 15140 and 15146 and Article XIIIA of the Constitution of the State of California (the "California Constitution") and pursuant to a resolution of the Board of Education of the District, adopted on May 3, 2022, relating to the Series D Bonds (the "Resolution").

Purpose. At an election held on November 4, 2014, the District received authorization under Measure K to issue general obligation bonds of the District in an aggregate principal amount not to exceed $92,000,000 to improve the quality of local school facilities; make health and safety improvements; replace leaky roofs; upgrade electrical systems; improve student access to computers and modern technology; replace outdated heating, ventilation and air-conditioning systems; and modernize and renovate classrooms, restrooms and school facilities (collectively, the "2014 Authorization"). Measure K received the required approval of at least 55% of the votes cast by eligible voters within the District. The Series D Bonds represent the fourth and final series of authorized bonds to be issued under the 2014 Authorization. Proceeds of the Series D Bonds will be applied (i) to finance specific construction, reconstruction, rehabilitation, or replacement projects approved by the voters of the District, and (ii) to pay costs of issuance of the Series D Bonds. See "− Application and Investment of Series D Bond Proceeds" herein. Prior to the issuance of the Series D Bonds, the District has $14,000,000 aggregate principal amount of bonds authorized but unissued under the 2014 Authorization.

Form and Registration

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

Payment of Principal and Interest

Interest. The Series D Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement[,][. Interest on the Series D Bonds maturing on and after August 1, 2023 (the "Tax-Exempt Bonds") is] payable on February 1 and August 1 of each year (each, [a][an] "[Tax-Exempt] Interest Payment Date"), commencing on August 1, 2022. Interest on the Series D Bonds maturing on [________], 2022 (the "Federally Taxable Bonds") is payable at maturity (the "Taxable Interest Payment Date" and, together with the Tax-Exempt Interest Payment Dates, the "Interest Payment Dates"). Interest on the Series D Bonds is] computed on the basis of a 360-day year consisting of twelve 30-day months. Each Series D Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date for such Series D Bond (the "Record Date") and on or prior to the succeeding Interest Payment Date for such Series D Bond, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date for such Series D Bond, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Series D Bond, interest is in default on any outstanding Series D Bonds, such Series D Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Series D Bonds.

Payment of Series D Bonds. The principal of the Series D Bonds is payable in lawful money of the United States of America to the registered owner thereof (the "Owner"), upon the surrender thereof at the principal corporate trust office of U.S. Bank Trust Company, National Association, as agent of the Treasurer and Tax Collector of the County, as paying agent (the "Paying Agent") at the maturity thereof or upon redemption prior to maturity.

The interest on the Series D Bonds is payable on each Interest Payment Date in lawful money of the United States of America to the Owner thereof as of the Record Date preceding such Interest Payment Date, such interest to be paid by check or draft mailed on such Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the Owner thereof at such Owner's address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment will be made by wire transfer of immediately available funds to any Owner of at least

$1,000,000 in principal amount of outstanding Series D Bonds who have requested in writing such method of payment of interest prior to the close of business on the Record Date immediately preceding any Interest Payment Date. So long as the Series D Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Redemption*

Optional Redemption. The Series D Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to their respective stated maturity dates. The Series D Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Series D Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

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

Mandatory Sinking Fund Redemption Date (August 1,)	Principal Amount to be Redeemed
	$
†	

† Maturity.

The principal amount of the $__________ term Series D Bonds maturing on August 1, 20__, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series D Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The $__________ term Series D Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1,)	Principal Amount to be Redeemed
	$
†	

† Maturity.

The principal amount of the $__________ term Series D Bonds maturing on August 1, 20__, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the

* *Preliminary; subject to change.*

District, in integral multiples of $5,000, by any portion of such term Series D Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

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

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

Each notice of redemption is to contain the following information: (i) the date of such notice; (ii) the name of the Series D Bonds and the date of issue of such Series D Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series D Bonds to be redeemed; (vi) if less than all of the Series D Bonds of any maturity are to be redeemed the distinctive numbers of the Series D Bonds of each maturity to be redeemed; (vii) in the case of Series D Bonds redeemed in part only, the respective portions of the principal amount of the Series D Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series D Bonds to be redeemed; (ix) a statement that such Series D Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Series D Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. Neither the failure to receive such notice of redemption, nor any defect in such notice is to affect the sufficiency of the proceedings for the redemption of such Series D Bonds called for redemption or the cessation of interest on the date fixed for redemption.

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

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series D Bonds so called for redemption. Any optional redemption and notice thereof may be rescinded if for any reason on the date fixed for redemption monies are not available in the related Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series

D Bonds called for redemption. Notice of rescission of redemption is to be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series D Bond of notice of such rescission is not a condition precedent to rescission, and failure to receive such notice or any defect in such notice does not affect the validity of the rescission.

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

Defeasance of Series D Bonds

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

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

Unclaimed Monies

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

Application and Investment of Series D Bond Proceeds

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

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
2022 General Obligation Bonds, Election of 2014, Series D

Estimated Sources and Uses of Funds

Sources of Funds:	
Aggregate Principal Amount of Series D Bonds	$
[Plus/Less] [Net] Original Issue [Premium/Discount]	
Total Sources of Funds	$
Uses of Funds:	
Deposit to Building Fund	$
Deposit to Interest and Sinking Fund[(1)]	
Underwriter's Discount	
Costs of Issuance[(2)]	
Total Uses of Funds	$

(1) Consists of premium received by the District.
(2) Includes legal fees, municipal advisor fees, rating agency fees, [bond insurance premium,] printing fees and other miscellaneous expenses.

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

All funds held by the County of Los Angeles Treasurer and Tax Collector (the "County Treasurer") in the Building Fund and each Interest and Sinking Fund are expected to be invested at the sole discretion of the County Treasurer on behalf of the District in such investments as are authorized by Section 53601 et seq. of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. In addition, to the extent permitted by law and the investment policy of the County, the District may request in writing that all or any portion of the funds held in the Building Fund may be invested in investment agreements, including guaranteed investment contracts, float contracts or other investment products which comply with the requirements of each rating agency then rating the Series D Bonds. The County Treasurer does not monitor such investments for arbitrage compliance and does not perform any arbitrage calculations with respect to such investments.

Debt Service

Debt service on the Series D Bonds, assuming no early optional redemptions, is set forth in the following table.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
2022 General Obligation Bonds, Election of 2014, Series D

Period Ending (August 1,)[(1)]	Principal	Interest	Total Debt Service
2022	$	$	$
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			
Total:	$	$	$

[(1) The Federally Taxable Bonds mature on [_________], 2022. The Tax-Exempt Bonds have principal maturing on August 1 in each of the years and in the amounts set forth on the inside front cover page hereof.]
Source: RBC Capital Markets, LLC

Outstanding Bonds

In addition to the Series D Bonds, the District has eight series of general obligation bonds outstanding, each of which is secured by *ad valorem* taxes levied upon all property subject to taxation by the District on a parity with the Series D Bonds.

2002 Authorization. At an election held on March 5, 2002, the District received authorization under Measure I to issue bonds of the District in an aggregate principal amount not to exceed $75,000,000 (the "2002 Authorization"). Measure I received the required approval of at least 55% of the votes cast by eligible voters within the District. On July 10, 2002, the County, at the request of the District, issued $29,998,762.70 aggregate initial principal amount of the Azusa Unified School District Los Angeles County, California General Obligation Bonds, Election of 2002, Series 2002 (the "Series 2002 Bonds") as the District's first series of bonds to be issued under the 2002 Authorization. On January 7, 2010, the District issued the Azusa Unified School District General Obligation Bonds, Election of 2002, Series 2010 (the "Series 2010 Bonds") in the aggregate initial principal amount of $45,001,000.01, as the District's second and final series of bonds to be issued under the 2002 Authorization.

2014 Authorization. At an election held on November 4, 2014, the District received authorization under Measure K to issue bonds of the District in an aggregate principal amount not to exceed $92,000,000. On August 4, 2015, the District issued the Azusa Unified School District (County of Los Angeles, California) General Obligation Bonds, Election of 2014, Series A (the "Series A Bonds"), in the aggregate principal amount of $28,000,000 as the District's first series of bonds to be issued under the 2014 Authorization. On December 21, 2017, the District issued the Azusa Unified School District (Los Angeles County, California) 2017 General Obligation Bonds, Election of 2014, Series B (the "Series B Bonds"), in the aggregate principal amount of $25,000,000 as the District's second series of bonds to be issued under the 2014 Authorization. On April 3, 2019, the District issued the Azusa Unified School District (Los Angeles County, California) 2019 General Obligation Bonds, Election of 2014, Series C (the "Series C Bonds") in the aggregate principal amount of $25,000,000 as the District's third series of bonds to be issued under the 2014 Authorization. Prior to the issuance of the Series D Bonds, the District has $14,000,000 aggregate principal amount of bonds authorized but unissued under the 2014 Authorization.

Refunding Bonds. On September 1, 2011, the District issued $20,285,000 aggregate principal amount of the Azusa Unified School District (County of Los Angeles, California) General Obligation Refunding Bonds, Election of 2002, Series 2011 (the "Series 2011 Refunding Bonds") to advance refund a portion of the outstanding Series 2002 Bonds, maturing in years 2013 through 2024.

The District and the Paramount Unified School District ("Paramount USD") entered into a Joint Exercise of Powers Agreement, dated as of September 1, 2009, forming the California School Facilities Financing Authority (the "Authority"). The Authority was formed for the public purpose of assisting in financing public capital improvements for both the District and Paramount USD. On January 7, 2010, the Authority issued revenue bonds (the "Revenue Bonds") in the aggregate principal amount of $57,455,978.40 to provide funds to purchase all of the outstanding Series 2010 Bonds, to refinance certain public capital improvements of the District and to pay the costs incurred in connection with the issuance of the Revenue Bonds. The Revenue Bonds consist of current interest bonds, capital appreciation bonds and capital appreciation bonds that convert to current interest bonds and are payable from the debt service paid on the Series 2010 Bonds.

On September 1, 2016, the District issued $21,525,000 aggregate principal amount of the Azusa Unified School District (County of Los Angeles, California) General Obligation Refunding Bonds, Series 2016 (the "Series 2016 Refunding Bonds") to refund, on an advance basis, a portion of the Series 2010 Bonds and a corresponding portion of the Revenue Bonds maturing on August 1, 2032.

On September 26, 2019, the District issued $22,635,000 aggregate principal amount of the Azusa Unified School District (Los Angeles County, California) General Obligation Refunding Bonds, Series 2019 (the "Series 2019 Refunding Bonds") to refund, on an advance basis, a portion of the outstanding Series B Bonds.

A summary of the District's outstanding general obligation bond debt service is set forth on the following pages.

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Aggregate Debt Service

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

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds − Aggregate Debt Service

(continued on following page)

Period Ending (August 1,)[(1)]	Series 2002 Bonds(2)	Series 2010 Bonds	Series 2011 Refunding Bonds(2)	Series A Bonds	Series 2016 Refunding Bonds
2022	-	$ 1,087,500.00	$2,699,912.50	$ 1,103,167.50	$ 954,700.00
2023	-	1,525,000.00	2,809,012.50	1,144,767.50	955,050.00
2024	-	1,575,000.03	2,918,700.00	1,185,198.76	955,250.00
2025	$3,040,000.00	1,630,000.03	-	1,229,348.76	953,650.00
2026	3,160,000.00	1,735,000.02	-	1,276,598.76	956,850.00
2027	3,290,000.00	1,735,000.04	-	1,326,105.00	954,650.00
2028	-	5,341,399.96	-	1,378,355.00	952,250.00
2029	-	5,787,600.00	-	1,433,042.50	954,650.00
2030	-	360,000.00	-	1,484,842.50	6,176,650.00
2031	-	-	-	1,543,580.00	7,059,450.00
2032	-	-	-	1,618,730.00	7,533,250.00
2033	-	8,817,870.18	-	1,681,330.00	-
2034	-	10,199,942.78	-	1,745,130.00	-
2035	-	10,608,970.35	-	1,809,930.00	-
2036	-	11,028,472.12	-	1,880,530.00	-
2037	-	11,479,755.50	-	1,956,530.00	-
2038	-	12,856,647.93	-	2,032,530.00	-
2039	-	13,368,572.40	-	2,113,330.00	-
2040	-	13,910,020.46	-	2,193,530.00	-
2041	-	14,468,096.84	-	2,277,930.00	-
2042	-	15,048,699.56	-	2,369,210.00	-
2043	-	15,649,645.70	-	2,458,520.00	-
2044	-	16,267,966.13	-	2,555,655.00	-
2045	-	16,929,810.32	-	-	-
2046	-	17,848,770.21	-	-	-
2047	-	18,565,537.71	-	-	-
2048	-	18,568,091.26	-	-	-
2049	-	19,307,613.41	-	-	-
Total:	$9,490,000.00	$265,700,982.95	$8,427,625.00	$39,797,891.28	$28,406,400.00

[(1) The Federally Taxable Bonds mature on [_______], 2022. The Tax-Exempt Bonds have principal maturing on August 1 in each of the years and in the amounts set forth on the inside front cover page hereof.].
(2) The Series 2002 Bonds and the Series 2011 Refunding Bonds mature on July 1 of each respective year.
Source: Isom Advisors, a Division of Urban Futures, Inc.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds − Aggregate Debt Service

(continued)

Period Ending (August 1,)[(1)]	Series B Bonds	Series C Bonds	Series 2019 Refunding Bonds	Series D Bonds	Total
2022	$262,500.00	$ 1,145,850.00	$ 843,607.26	$	$
2023	-	1,035,850.00	1,093,788.46		
2024	-	1,066,850.00	1,114,591.80		
2025	-	1,099,150.00	1,164,314.46		
2026	-	1,135,650.00	1,207,301.96		
2027	-	1,169,900.00	1,243,552.36		
2028	-	1,206,900.00	1,293,492.46		
2029	-	1,246,400.00	1,336,694.10		
2030	-	1,288,150.00	1,383,200.46		
2031	-	1,326,900.00	1,442,196.86		
2032	-	1,367,650.00	1,483,366.86		
2033	-	1,410,150.00	1,536,922.90		
2034	-	1,454,150.00	1,592,920.06		
2035	-	1,724,400.00	1,651,149.16		
2036	-	1,784,400.00	1,707,855.96		
2037	-	1,840,400.00	1,766,806.80		
2038	-	1,892,400.00	1,827,856.66		
2039	-	1,950,400.00	1,890,860.46		
2040	-	2,009,000.00	1,955,673.16		
2041	-	1,818,000.00	2,027,149.70		
2042	-	1,873,250.00	-		
2043	-	2,937,250.00	-		
2044	-	3,029,250.00	-		
2045	-	-	-		
2046	-	-	-		
2047	-	-	-		
2048	-	-	-		
2049	-	-	-		
Total:	$262,500.00	$36,812,300.00	$29,563,301.90	$	$

[[1] The Federally Taxable Bonds mature on [_______], 2022. The Tax-Exempt Bonds have principal maturing on August 1 in each of the years and in the amounts set forth on the inside front cover page hereof.].
Source: Isom Advisors, a Division of Urban Futures, Inc.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES D BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series D Bonds, the Board of Supervisors of the County (the "Board of Supervisors") is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Series D Bonds. Such taxes are in addition to but separate from other taxes levied upon property within the District that are deposited by the County to the District's general fund. When collected, the tax revenues will be deposited by the County in the related Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

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

Statutory Lien on Taxes (Senate Bill 222)

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

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

Pledge of Tax Revenues

As provided in the Resolution, the District has pledged all revenues from the property taxes collected from the levy by the Board of Supervisors for the payment of all bonds, including the Series D Bonds (collectively, the "Bonds"), of the District heretofore or hereafter issued pursuant to voter-approved measures of the District and amounts on deposit in each Interest and Sinking Fund to the payment of the principal or redemption price of and interest on the related series of Bonds. The Resolution provides that the property taxes and amounts held in each Interest and Sinking Fund will be immediately subject to this pledge, and the pledge will constitute a lien and security interest which will immediately attach to the property taxes and amounts held in each Interest and Sinking Fund to secure the payment of the Bonds and will be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge constitutes an agreement between the District and the owners of the Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds secured by the pledge are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

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

Property Taxation System

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

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

Assessed Valuation of Property Within the District

General. Taxable property located in the District has a fiscal year 2021-22 assessed value of $7,968,966,143. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the California Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

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

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

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

The table on the following page sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal years 2002-03 through 2021-22, each as of the date the equalized assessment roll is established in August of each year.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Assessed Valuations
Fiscal Years 2002-03 through 2021-22

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2002-03	$2,947,340,991	$9,804,893	$276,694,670	$3,233,840,554
2003-04	3,216,168,691	10,504,183	287,556,865	3,514,229,739
2004-05	3,435,519,123	10,729,981	287,543,235	3,733,792,339
2005-06	3,787,346,405	10,412,608	310,997,972	4,108,756,985
2006-07	4,357,156,514	10,252,254	322,338,866	4,689,747,634
2007-08	4,630,695,466	8,319,320	340,534,234	4,979,549,020
2008-09	5,031,760,656	8,319,320	308,184,620	5,348,264,596
2009-10	5,030,340,151	8,319,320	310,969,976	5,349,629,447
2010-11	4,713,953,597	8,463,782	299,526,417	5,021,943,796
2011-12	4,648,877,885	8,335,282	314,728,845	4,971,942,012
2012-13	4,734,396,409	8,335,282	325,943,552	5,068,675,243
2013-14	4,987,649,696	7,081,551	323,525,813	5,318,257,060
2014-15	5,335,421,139	7,081,551	325,418,524	5,667,921,214
2015-16	5,648,560,426	7,086,061	352,991,093	6,008,637,580
2016-17	5,966,603,029	7,086,561	346,406,998	6,320,096,588
2017-18	6,329,606,805	7,086,561	351,611,525	6,688,304,891
2018-19	6,707,072,628	7,086,561	360,812,004	7,074,971,193
2019-20	7,172,088,664	7,086,561	311,363,348	7,490,538,573
2020-21	7,543,236,916	7,221,142	334,856,290	7,885,314,348
2021-22	7,559,683,118	7,221,142	402,061,883	7,968,966,143

Source: California Municipal Statistics, Inc.

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

Risk of Changing Economic Conditions. Property values could be reduced by factors beyond the District's control, including a depressed real estate market due to general economic conditions in the County, the region, and the State. A pandemic, like the COVID-19 pandemic, may result in an economic recession or depression that causes a general market decline in property values therefore affecting the assessed value of the property in the District. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Infectious Disease Outbreak."

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

[***Whitter Narrows Dam.*** The Army Corps of Engineers is undertaking a $500-million repair project for the 62-year-old Whittier Narrows Dam (the "Dam"). The Dam, a 56-foot tall earth dam, is located along the Rio Hondo and the San Gabriel Rivers and collects runoff from the uncontrolled drainage areas upstream along with releases into the San Gabriel River from the Santa Fe Dam. The reservoir portion of the Dam, with a capacity of 67,060 acre-feet, is surrounded by the cities of South El Monte (to the north), Industry (to the east), Pico Rivera (to the south), and Montebello (to the south). The construction of the repairs to the Dam started in 2021 and the repairs are expected to be completed in 2025.

The Army Corps of Engineers has determined that the Dam no longer meets federal tolerable-risk guidelines and could fail in the event of a very large, very rare storm, similar to storms which occurred in California between December 1861 and January 1862. If such a storm were to occur, water could flow over the crest of the Dam or seepage could erode the sandy soil underneath it. These types of failures could have catastrophic effects on a number of Southern California communities. In response to these potential dangers, the Army Corps of Engineers has classified the Dam's repairs as the highest priority of any of the 13 "high risk" dams in the country.

[The District cannot predict when flood or extreme storm events will occur, when or whether the repairs described above will be completed, whether other mitigation measures will be implemented, or whether federal or other funds will be available to the District in the event of a failure of the Dam. Significant flooding within the District as a result of the failure of the Dam could materially adversely impact the assessed value of the property within the District.]]

Risk of Earthquake. The District is located in a seismically active region. The most notable earthquake faults include the San Andreas fault and over 100 smaller active faults in the area. Property values could be reduced by the complete or partial destruction of taxable property as a result of an earthquake.

Risk of Drought. In recent years, the State has experienced severe drought conditions. In March 2021, the Secretary of the United States Department of Agriculture designated 50 of 58 counties in the State as primary natural disaster areas due to drought. In April 2021, the Governor of California (the "Governor") proclaimed a regional drought emergency in two counties due to record drought conditions, and subsequently expanded such proclamation three times until the drought emergency applied to all counties in the State. Such proclamation further directs that State agencies take actions to increase drought resiliency and address drought-related emergencies, and that the California State Water Resources Control Board reconsider regulations for reservoir releases and water diversions to maintain water supply. In support of such efforts, on July 8, 2021, the Governor also signed Executive Order N-10-21 calling on a State-wide voluntary reduction in water use of 15% from 2020 levels. The District cannot predict the extent to which drought conditions within the County or any of the adjoining counties could cause reduced economic activity within the boundaries of the District or the extent to which drought conditions may impact District facilities or the assessed value of taxable property within the District.

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

Prospective purchasers of the Series D Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the County is required to levy sufficient taxes to pay debt service on the Series D Bonds. The consequence of any decrease in assessed valuation is a corresponding increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the Series D Bonds in full.

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

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

In addition, Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to

Article XIIIA of the California Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

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

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

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2021-22 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $199.22 million and its net bonding capacity is approximately $76.11 million (taking into account current outstanding debt before the issuance of the Series D Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries. The District is located entirely within the County and within portions of the City of Azusa, the City of Covina, the City of Glendora and the City of Irwindale and unincorporated portions of the County for fiscal year 2021-22.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Fiscal Year 2021-22 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Azusa	$5,578,865,972	70.01%	$ 5,663,063,385	98.51%
City of Covina	111,595,807	1.40	6,363,134,513	1.75
City of Glendora	232,016,280	2.91	8,576,776,121	2.71
City of Irwindale	919,568,650	11.54	2,764,377,645	33.26
Unincorporated Los Angeles County	1,126,919,434	14.14	121,819,974,931	0.93
Total District	$7,968,966,143	100.00%		
Los Angeles County	$7,968,966,143	100.00%	$1,771,741,382,469	0.45%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2021-22 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Fiscal Year 2021-22 Assessed Valuation and Parcels by Land Use

	2021-22 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial	$ 551,866,828	7.30%	343	2.02%
Vacant Commercial	17,266,945	0.23	82	0.48
Industrial	1,549,054,725	20.49	531	3.12
Vacant Industrial	39,040,101	0.52	85	0.50
Recreational	7,906,965	0.10	21	0.12
Government/Social/Institutional	29,622,291	0.39	80	0.47
Miscellaneous	9,718,109	0.13	360	2.12
Subtotal Non-Residential	$2,204,475,964	29.16%	1,502	8.83%
Residential:				
Single Family Residence	$3,874,015,639	51.25%	11,029	64.83%
Condominium/Townhouse	805,926,743	10.66	2,708	15.92
Mobile Home	15,720,072	0.21	498	2.93
Mobile Home Park	28,630,872	0.38	11	0.06
2-4 Residential Units	274,076,393	3.63	664	3.90
5+ Residential Units/Apartments	329,606,486	4.36	124	0.73
Vacant Residential	27,230,949	0.36	475	2.79
Subtotal Residential	$5,355,207,154	70.84%	15,509	91.17%
Total	$7,559,683,118	100.00%	17,011	100.00%

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

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2021-22, including the average and median per parcel assessed value.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Fiscal Year 2021-22 Per Parcel Assessed Valuation of Single Family Homes

	Number of Parcels	2021-22 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	11,029	$3,874,015,639	$351,257	$312,844

2021-22 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	318	2.883%	2.883%	$ 12,723,849	0.328%	0.328%
$50,000 - $99,999	975	8.840	11.724	66,754,577	1.723	2.052
$100,000 - $149,999	624	5.658	17.381	78,692,514	2.031	4.083
$150,000 - $199,999	963	8.732	26.113	170,095,319	4.391	8.474
$200,000 - $249,999	1,335	12.104	38.217	299,391,187	7.728	16.202
$250,000 - $299,999	1,079	9.783	48.001	295,721,378	7.633	23.835
$300,000 - $349,999	882	7.997	55.998	286,266,276	7.389	31.225
$350,000 - $399,999	822	7.453	63.451	308,121,241	7.954	39.178
$400,000 - $449,999	784	7.109	70.559	333,011,417	8.596	47.774
$450,000 - $499,999	932	8.450	79.010	442,529,094	11.423	59.197
$500,000 - $549,999	749	6.791	85.801	392,382,128	10.129	69.326
$550,000 - $599,999	403	3.654	89.455	230,823,803	5.958	75.284
$600,000 - $649,999	246	2.230	91.686	153,405,059	3.960	79.244
$650,000 - $699,999	137	1.242	92.928	92,117,795	2.378	81.622
$700,000 - $749,999	139	1.260	94.188	100,715,103	2.600	84.221
$750,000 - $799,999	112	1.016	95.204	86,687,110	2.238	86.459
$800,000 - $849,999	113	1.025	96.228	93,225,924	2.406	88.866
$850,000 - $899,999	92	0.834	97.062	80,141,517	2.069	90.934
$900,000 - $949,999	92	0.834	97.896	85,008,103	2.194	93.129
$950,000 - $999,999	57	0.517	98.413	55,538,588	1.434	94.562
$1,000,000-and greater	175	1.587	100.000	210,663,657	5.438	100.000
Total	11,029	100.000%		$3,874,015,639	100.000%	

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

Largest Secured Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of secured taxable property in the District on the fiscal year 2021-22 tax roll, and the secured assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Largest Fiscal Year 2021-22 Local Secured Taxpayers

	Property Owner	Primary Land Use	2021-22 Assessed Valuation	Percent of Total[(1)]
1.	Millercoors USA LLC	Industrial	$149,719,095	1.98%
2.	Northrop Grumman Systems	Industrial	98,380,260	1.30
3.	Todd APG LLC	Industrial	65,258,142	0.86
4.	LIT Industrial Limited	Industrial	55,486,950	0.73
5.	Davis Wire Corp.	Industrial	47,949,059	0.63
6.	PPF Industrial 823 985 8th Street LP	Industrial	36,720,040	0.49
7.	Target Corporation	Commercial	34,914,239	0.46
8.	10h Street XC LLC	Industrial	33,242,669	0.44
9.	Azusa Pacific University	Shopping Center	31,236,087	0.41
10.	Citrus Crossing Prop Fee LLC	Shopping Center	29,580,192	0.39
11	Icon Owner Pool 1 LA Non	Industrial	25,267,925	0.33
12.	Tournament Floats LLC	Industrial	24,103,679	0.32
13.	Costco Wholesale Corp.	Commercial	23,974,850	0.32
14.	VPM Soldano Senior Village LP	Apartments	22,796,691	0.30
15.	Vera Menlo Trust	Apartments	22,599,520	0.30
16.	Lakewood Gardens LP	Apartments	22,221,976	0.29
17.	Grand LLC	Shopping Center	21,495,691	0.28
18.	Consolidated Rock Products Co.	Industrial	21,486,280	0.28
19.	Amazing Investment LLC	Hotel	20,072,091	0.27
20.	Blum Courtyard Associates LP	Industrial	19,516,177	0.26
			$806,021,613	10.66%

(1) The fiscal year 2021-22 local secured assessed valuation is $7,559,683,118.
Source: California Municipal Statistics, Inc.

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

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Series D Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series D Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series D Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table sets forth *ad valorem* property tax rates for the last five fiscal years in the typical tax rate area of the District (TRA 2045). TRA 2045 comprises approximately 29.3% of the total assessed value of taxable property in the District for fiscal year 2021-22.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 2045)[(1)]
Fiscal Years 2017-18 through 2021-22

	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Azusa Unified School District	0.105907	0.098062	.114164	.108167	.093279
Citrus Community College District	0.022290	0.022382	.021725	.021573	.048323
San Gabriel Valley Municipal Water District	0.030000	0.030000	.030000	.030000	.030000
Total Tax Rate	1.158197%	1.150444%	1.165889%	1.159740%	1.171602%

(1) Fiscal year 2021-22 assessed valuation of TRA 2045 is $7,968,966,143.
Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and the California Education Code, bonds approved pursuant to the 2014 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved under the 2014 Authorization will require a tax rate no greater than $60.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series D Bonds, the District projects that the maximum tax rate required to repay the Series D Bonds and all other outstanding bonds approved under the 2014 Authorization will be within that legal limit. The tax rate limitation applies only when new bonds are issued and does not restrict the authority of the Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series D Bonds and any other series of bonds issued under the 2014 Authorization in each year.

Tax Charges and Delinquencies

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

The County Treasurer prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the County Treasurer. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment. In light of the financial hardship that many taxpayers experienced due to COVID-19, the Governor issued Executive Order N-61-20, which suspended, until May 6, 2021, the statutory requirements for the imposition of penalties, costs, and interest for the failure to pay property taxes on the secured or unsecured roll, or to pay a supplemental bill provided certain conditions were met.

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

The County Does Not Participate in a Teeter Plan. Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.

The District Participates in CSDTFA. The District is a member of the California Statewide Delinquent Tax Finance Authority ("CSDTFA"). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Section 6516.6 of the Government Code of the State of California. Historically, CSDTFA has from time to time purchased delinquent *ad valorem* property tax receivables related to the District's share of the 1% general *ad valorem* property tax levy (not the additional *ad valorem* property tax levy for debt service on the District's general obligation bonds) from the District. However, the District cannot predict whether CSDTFA will continue to make such purchases in the future. [CSDTFA purchased the District's delinquent *ad valorem* tax receivables related to the 1% general *ad valorem* property tax levy attributable to fiscal year 2019-20 from the District at a purchase price equal to 110% of such receivables. CSDTFA has agreed to purchase the District's delinquent *ad valorem* tax receivables related to the 1% general *ad* *valorem* property tax levy attributable to fiscal years 2020-21 and 2021-22 from the District at a purchase price equal to 110% of such receivables. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA.] Since CSDTFA does not currently purchase *ad valorem* property tax receivables related to the payment of general obligation bonds of the District, the District's participation in CSDTFA's program does not ensure that the District will receive the timely payment of *ad valorem* property taxes levied to secure the Series D Bonds.

Secured Tax Charges and Delinquencies within the District. The first table below sets forth the real property tax charges and corresponding delinquencies for the District's general obligation bond debt service levy, with respect to the property located in the District, for fiscal years 2016-17 through 2020-21. For reference and as an indication of comparative delinquency rates, the second table below sets forth the real property tax charges and corresponding delinquencies for the County's 1% general fund levy, with respect to property located in the District. The County's 1% general fund apportionment is not pledged to and does not secure the repayment of the Series D Bonds.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2016-17 through 2020-21

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent June 30	% Delinquent June 30
2016-17	$6,261,095.15	$ 56,870.34	0.91%
2017-18	6,666,302.37	56,655.19	0.85
2018-19	6,550,088.28	78,169.03	1.19
2019-20	8,191,730.65	194,660.35	2.38
2020-21	8,156,746.48	80,873.58	0.99

Fiscal Year	Secured Tax Charge[2]	Amount Delinquent June 30	% Delinquent June 30
2016-17	$11,889,989.69	$141,965.64	1.19%
2017-18	12,668,462.97	158,205.60	1.25
2018-19	13,387,550.59	183,819.57	1.37
2019-20	14,243,904.02	322,802.63	2.27
2020-21	15,012,787.88	257,094.70	1.71

(1) General obligation bond debt service levy only.
(2) 1% general fund apportionment. Excludes redevelopment agency impounds. Reflects county-wide delinquency rate.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics, Inc. effective April 22, 2022 for debt outstanding as of May 1, 2022. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not set forth in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Statement of Direct and Overlapping Bonded Debt

April 22, 2022

2021-22 Assessed Valuation: $7,968,966,143

	% Applicable	Debt 5/1/22
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Metropolitan Water District	0.127%	$ 25,622
Citrus Community College District	23.889	34,402,896
Azusa Unified School District	100.000	123,110,338[1]
City of Azusa Community Facilities District No. 2002-1	100.000	5,468,564
City of Azusa Community Facilities District No. 2005-1, I.A. No. 1	100.000	22,740,000
City of Azusa Community Facilities District No. 2005-1, I.A. No. 2	100.000	20,100,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$205,847,420
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	0.450%	$ 12,774,047
Los Angeles County Superintendent of Schools Certificates of Participation	0.450	17,875
Azusa Unified School District Certificates of Participation	100.000	4,740,000
City of Azusa Pension Obligation Bonds	98.513	66,885,401
City of Covina Pension Obligation Bonds	1.754	1,101,424
Los Angeles County Sanitation District Nos. 18 and 22 Authority	0.005-16.749	132,914
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 85,651,661
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$ 48,671,628
COMBINED TOTAL DEBT		$340,170,709[2]

Ratios to 2021-22 Assessed Valuation:
Direct Debt ($123,110,338)..1.54%
Total Direct and Overlapping Tax and Assessment Debt..................2.58%
Combined Direct Debt ($127,850,338) 1.60%
Combined Total Debt 4.27%

Ratios to Redevelopment Incremental Valuation ($2,269,580,734):
Total Overlapping Tax Increment Debt...2.14%

(1) Excludes issuance of the Series D Bonds. Also excludes accreted value.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

[BOND INSURANCE]

[Bond insurance disclosure to come, if applicable.]

TAX MATTERS

[Tax-Exempt][Series D] Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the [Tax-Exempt][Series D] Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the [Tax-Exempt][Series D] Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the [Tax-Exempt][Series D] Bonds. The proposed form of opinion of Bond Counsel is set forth in Appendix C.

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

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

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the [Tax-Exempt][Series D] Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the [Tax-Exempt][Series D] 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 [Tax-Exempt][Series D] Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the [Tax-Exempt][Series D] 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 [Tax-Exempt][Series D] Bonds may adversely affect the value of, or the tax status of interest on, the [Tax-Exempt][Series D] 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 [Tax-Exempt][Series D] Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the [Tax-Exempt][Series D] 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 [Tax-Exempt][Series D] Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the [Tax-Exempt][Series D] Bonds. Prospective purchasers of the [Tax-Exempt][Series D] Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the [Tax-Exempt][Series D] 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 [Tax-Exempt][Series D] Bonds ends with the issuance of the [Tax-Exempt][Series D] 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 [Tax-Exempt][Series D] Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the [Tax-Exempt][Series D] 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 [Tax-Exempt][Series D] Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the [Tax-Exempt][Series D] Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S.

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

[Federally Taxable Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Federally Taxable Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Federally Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Federally Taxable Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix C.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to holders of the Federally Taxable Bonds that acquire their Federally Taxable Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Federally Taxable Bonds as part of a hedge, straddle or an integrated or conversion transaction, investors whose "functional currency" is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Federally Taxable Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Federally Taxable Bonds pursuant to this offering for the issue price that is applicable to such Federally Taxable Bonds (i.e., the price at which a substantial amount of the Federally Taxable Bonds are sold to the public) and who will hold their Federally Taxable Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a Beneficial Owner of a Federally Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a Beneficial Owner of a Federally Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Federally Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Federally Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Federally Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Federally Taxable Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Federally Taxable Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Federally Taxable Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Federally Taxable Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Federally Taxable Bond.

Sale or Other Taxable Disposition of the Federally Taxable Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Federally Taxable Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Federally Taxable Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Federally Taxable Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Federally Taxable Bond (generally, the purchase price paid by the U.S. Holder for the Federally Taxable Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Federally Taxable Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Federally Taxable Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Federally Taxable Bonds. If the District defeases any Federally Taxable Bond, the Federally Taxable Bond may be deemed to be retired for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted U.S. federal income tax basis in the Federally Taxable Bond.

Information Reporting and Backup Withholding. Payments on the Federally Taxable Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Federally Taxable Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Federally Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Federally Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA") – U.S. Holders and Non-U.S. Holders," payments of principal of, and interest on, any Federally Taxable Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation described in Section 881(c)(3)(C) of the Code, and (2) a bank which acquires such Federally Taxable Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the Beneficial Owner of the Federally Taxable Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Federally Taxable Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA") – U.S. Holders and Non-U.S. Holders," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District or a deemed retirement due to defeasance of the Federally Taxable Bond) or other disposition of a Federally Taxable Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "Foreign Account Tax Compliance Act ("FATCA") – U.S. Holders and Non-U.S.Holders," under current U.S. Treasury Regulations, payments of principal and interest on any Federally Taxable Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the Beneficial Owner of the Federally Taxable Bond or a financial institution holding the Federally Taxable Bond on behalf of the Beneficial Owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a Beneficial Owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Federally Taxable Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Federally Taxable Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Federally Taxable Bonds, including the application and effect of state, local, non-U.S., and other tax laws.]

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series D Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series D Bonds at the time of issuance substantially in the form set forth in Appendix C. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, as counsel to the Underwriter ("Underwriter's Counsel").

Legality for Investment in California

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

Continuing Disclosure

The District will covenant under the Continuing Disclosure Certificate to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its EMMA system or such other electronic system designated by the Municipal Securities Rulemaking Board certain annual financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (currently ending June 30), commencing with the report for fiscal year 2021-22 (such initial Annual Report due no later than April 1, 2023) and notice of the occurrence of certain enumerated events (“Notice Events”) in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D − “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made for the benefit of the holders and Beneficial Owners of the Series D Bonds in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”).

[To be updated per results from Underwriter’s CD report.]

Isom Advisors, a Division of Urban Futures, Inc. currently serves as the District’s dissemination agent in connection with each of the District’s prior continuing disclosure undertakings pursuant to the Rule and will serve as dissemination agent in connection with the continuing disclosure undertaking pursuant to the Rule relating to the Series D Bonds.

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series D Bonds or the District’s ability to receive ad valorem taxes and to collect other revenues, or contesting the District’s ability to issue and retire the Series D Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series D Bonds or District officials who will sign certifications relating to the Series D Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series D 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.] ***[District to confirm.]***

FINANCIAL STATEMENTS

The District’s audited financial statements for fiscal year ended June 30, 2021 are included in Appendix B. Such financial statements have been audited by Eide Bailly LLP, Rancho Cucamonga, California (“Eide Bailly”). The District has not requested nor has the District obtained the consent of Eide Bailly to the inclusion of its report in Appendix B. Eide Bailly has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Eide Bailly has not been requested to perform and has not performed any procedures relating to the Official Statement.

MISCELLANEOUS

Rating[s]

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC [("S&P")], has assigned its [underlying and uninsured] rating of "[_____]" to the Series D Bonds. A rating agency generally bases its rating on its own investigations, studies and assumptions as well as information and materials furnished to it (which may include information and materials from the District, which are not included in this Official Statement). Such rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series D Bonds. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series D Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Series D Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

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

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series D Bonds and will receive compensation from the District contingent upon the sale and delivery of the Series D Bonds. Isom Advisors, a Division of Urban Futures, Inc. is acting as the District's municipal advisor (the "Municipal Advisor") with respect to the Series D Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Underwriter's Counsel with respect to the Series D Bonds. Payment of the fees and expenses of the Municipal Advisor and Underwriter's Counsel is also contingent upon the sale and delivery of the Series D Bonds.

Underwriting

The Series D Bonds are being purchased for reoffering to the public by RBC Capital Markets, LLC (the "Underwriter"), pursuant to the terms of a bond purchase agreement executed on __________, 2022 (the "Purchase Agreement"), by and between the Underwriter and the District. The Underwriter has agreed to purchase the Series D Bonds at a price of $__________ (which represents the aggregate principal amount of the Series D Bonds, [plus/less] [net] original issue [premium/discount] of $__________, and less Underwriter's discount in the amount of $__________). The Purchase Agreement provides that the Underwriter will purchase all of the Series D Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

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

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

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 District. 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 District.]

ADDITIONAL INFORMATION

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

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

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

AZUSA UNIFIED SCHOOL DISTRICT

By: ______________________________________
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

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

THE DISTRICT

Introduction

The District is a unified school district organized under the laws of the State. The District was formed in 1961, and encompasses an area of approximately 150 square miles including the City of Azusa and portions of the cities of Covina, Glendora, Irwindale and certain unincorporated areas of the County. Prior to the planned March 2022 reorganization, the District operates 9 elementary schools (many of which offer preschool and transitional kindergarten ("TK")), one early childhood school, three middle schools and three high schools (including one continuation high school). In addition, the District operates an adult education center, an adult transition program, and several adult classes at other locations within the District.

In March 2019, the Board of Education of the District (the "Board of Education") approved the closure of the Sierra High School site, and the Mountain View Elementary School. It also approved the conversion of the Gladstone Street Elementary School to the Sierra High School site, which includes an adult education center. As a result, the students served by the Gladstone Street Elementary School were consolidated into the Magnolia Elementary School and Murray Elementary School. The students served by the Mountain View Elementary School were consolidated into the Valleydale Elementary School and Paramount Elementary School.

[In March 2022, the Board of Education approved another school reorganization in the District. Under such reorganization, students served by Ellington TK-8 School and Powell Elementary School will be consolidated into the District's other elementary schools and Ellington TK-8 School and Powell Elementary School will close after the 2022-23 school year. The Board of Education also approved the consolidation of the District's three middle schools to one middle school called the Gladstone Middle School for the 2023-24 school year. Students served by Gladstone High School will be consolidated into Azusa High School starting with the 2023-24 school year and Gladstone High School will close. At the same time, the Gladstone High School site will be converted into the new site of the Gladstone Middle School.] ***[District to review and provide updates.]***

As of the preparation of the District's fiscal year 2021-22 estimated actuals (the "Fiscal Year 2021-22 Estimated Actuals"), total enrollment in the District is estimated at approximately [___] students in fiscal year 2021-22. As of the preparation of the District's fiscal year 2022-23 original adopted budget (the "Fiscal Year 2022-23 Budget"), total enrollment in the District is budgeted to be approximately [___] students in fiscal year 2022-23. The District operates under the jurisdiction of the Los Angeles County Superintendent of Schools. Total assessed valuation of taxable property in the District in fiscal year 2021-22 is approximately $7.97 billion. ***[District to review and provide updates.]***

Board of Education

The District is governed by a five-member Board of Education, each member of which is a voting member. The members are elected at large to four-year terms in alternate slates of two and three, and elections are held every two years. Each December, the Board of Education elects a President, Vice President and Clerk to serve one-year terms. Current voting members of the Board of Education, together with their office and the date their current term expires, are listed below.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Board of Education

Name	Office	Term Expires
Adrian Greer	President	December 2022
Sabrina Bow, Ed.D.	Vice President	December 2024
Xilonin Cruz-Gonzalez	Clerk	December 2022
Gabriela Arellanes	Member	December 2022
Yolanda Rodriguez-Peña	Member	December 2024

Superintendent and Business Services Personnel

General. The Superintendent of the District and the Assistant Superintendent, Business Services are appointed by the Board of Education. The Superintendent reports directly to the Board of Education. The Assistant Superintendent, Business Services reports directly to the Superintendent. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators, including the Assistant Superintendent, Business Services. The current Superintendent, Arturo Ortega, has served in this position since [July 2020]. The Assistant Superintendent, Business Services is responsible for management of the District's finances and business operations. Latasha D. Jamal has served as Assistant Superintendent, Business Services since [August 2020]. The Assistant Superintendent, Business Services is supported by the Director of Fiscal Services. ***[District to review and provide updates.]***

Arturo Ortega, Superintendent. [District to provide short biography].

Latasha D. Jamal, Assistant Superintendent, Business Services. [District to provide short biography].

Shannon Norris, Director of Fiscal Services. [District to provide short biography].

Cybersecurity

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational and operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. Given the importance of cybersecurity for school districts, federal lawmakers recently approved the K-12 Cybersecurity Act of 2021 to study cybersecurity risks that school districts face and develop recommended guidelines and an online training toolkit for school district officials to address such cybersecurity risks.

[The District [is/is not] aware of any major cybersecurity attack or breach of its systems during the last five years. The District employs [security systems] to protect against cyberattacks. As a result, the

District expects that any such disruptions caused by a cyberattack would be temporary in nature. The District [does not] currently maintain[s] cyber liability insurance.] ***[District to provide whether it has cyber liability insurance, what security systems it employs, and whether it has experienced any cybersecurity events within the past five years. District to explain whether it has a cybersecurity policy in place.]*** There can be no assurance that a future cyberattack or attempted cyberattack would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") (see "− *Allocation of State Funding to School Districts; Local Control Funding Formula*") and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the California Constitution (see "− Local Property Tax Revenues"). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. As of the Fiscal Year 2021-22 Estimated Actuals, the District estimates it will receive approximately [___]% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), estimated at approximately $[___] million in fiscal year 2021-22. As of the Fiscal Year 2022-23 Budget, the District budgets it will receive approximately [___]% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), budgeted at approximately $[___] million in fiscal year 2022-23. Such amount for each fiscal year includes both the State funding provided under the LCFF as well as other State revenues (see "− *Allocation of State Funding to School Districts; Local Control Funding Formula," "– Enrollment, A.D.A. and LCFF*" and "− Other District Revenues – *Other State Revenues*" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

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

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

State Budget Process. According to the California Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two–thirds vote of the State Legislature is required to override any veto by the Governor.

School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2021-22 State budget on June 28, 2021, which was subsequently amended on July 12, 2021 (as amended, the "2021-22 State Budget").

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

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

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

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

Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by deferring apportionments of Proposition 98 funds from one fiscal year to the next, as the State did in fiscal years 2019-20 and 2020-21 (see "– *2021-22 State Budget*" below for further information); by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the California Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series D Bonds, and the District takes no responsibility for informing owners of the Series D Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov**, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov**. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2021-22 State Budget*.* The Governor signed the 2021-22 State Budget on July 12, 2021, which reflects the State's strong fiscal position as economic recovery from the Coronavirus Disease 2019 ("COVID-19") pandemic is underway. To aid recovery while avoiding overcommitting to ongoing programs, the 2021-22 State Budget prioritizes one-time spending over ongoing spending by allocating 85% of discretionary funds to one-time spending. The 2021-22 State Budget's multi-year forecast reflects a budget roughly in balance; however, risks to the economic forecast remain, including a decline in the stock market, which would significantly reduce State revenues. The 2021-22 State Budget acknowledges such risks and includes a phase-in of certain investments that can be adjusted annually through the budget process.

The 2021-22 State Budget projects that total resources available in fiscal year 2020-21 will be approximately $194.3 billion, including revenues and transfers of approximately $188.8 billion and a prior year balance of approximately $5.6 billion, and total expenditures in fiscal year 2020-21 will be approximately $166.1 billion. The 2021-22 State Budget projects total resources available for fiscal year 2021-22 of approximately $203.6 billion, inclusive of revenues and transfers of approximately $175.3 billion and a prior year balance of approximately $28.2 billion. The 2021-22 State Budget projects total expenditures in fiscal year 2021-22 of approximately $196.4 billion, inclusive of non-Proposition 98 expenditures of approximately $130.1 billion and Proposition 98 expenditures of approximately $66.4 billion. The 2021-22 State Budget includes $25.2 billion in reserves in fiscal year 2021-22 and allocates reserves as follows: approximately $15.8 billion in the State's Rainy Day Fund (the "State Rainy Day Fund") for fiscal emergencies, approximately $900 million in the Safety Net Reserve, approximately $4.5 billion in the Public School System Stabilization Account (also known as, the "Proposition 98 Rainy Day Fund"), and approximately $4.0 billion in the State's Special Fund for Economic Uncertainties. In addition, the 2021-22 State Budget allocates approximately $3.2 billion of the State's general fund balance in fiscal year 2021-22 to the State's Reserve for Liquidation of Encumbrances.

The 2021-22 State Budget allocates resources to continue to pay down the State's long-term retirement liabilities, with $3.4 billion in payments required by Proposition 2 in fiscal year 2021-22, plus $7.9 billion in additional payments over the next three years. The improved revenue forecast also allows for the 2021-22 State Budget to eliminate $2.0 billion in program suspensions enacted in prior budgets. The 2021-22 State Budget also completely pays off Proposition 98 deferrals that were implemented in fiscal year 2020-21 as a strategy to avoid reductions to school spending. By paying off Proposition 98 deferrals, the 2021-22 State Budget provides greater cash flow stability to school districts, which may alleviate the need for school districts to continue borrowing funds to support programmatic needs. The 2021-22 State Budget projects that the State will be below its appropriations limit (referred to as the "Gann Limit") for fiscal years 2020-21 and 2021-22, based in part on statutory changes enacted as part of the 2021-22 State Budget that more accurately account for selected expenditures under both State and local limits and revised the level of excluded spending. The State's estimate of its appropriations for fiscal years 2020-21 and 2021-22 will continue to be revised until May 2023.

The 2021-22 State Budget includes total funding of $123.9 billion for all K-12 education programs, including $65.5 billion from the State's general fund and $58.4 billion from other funds, which is the highest level of funding for school districts in the State's history. Per-pupil funding is also at the highest levels for school districts in the State's history, totaling $13,976 per pupil in Proposition 98 funding and $21,555 per pupil when accounting for all funding sources.

Certain budgeted programs and adjustments for K-12 education set forth in the 2021-22 State Budget include the following:

- Proposition 98 Minimum Guarantee. The 2021-22 State Budget projects increased Proposition 98 funding, resulting in funding estimates 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, due to a significant increase in projected revenues for fiscal years 2020-21 and 2021-22. Such funding represents a historically high three-year increase in the minimum guarantee of $47 billion over the level funded in the fiscal year 2020-21 State budget.

- Proposition 98 Rainy Day Fund (Public School System Stabilization Account). The 2021-22 State Budget includes payments required to be made to the Proposition 98 Rainy Day Fund between fiscal years 2020-21 and 2021-22 for a total account balance of $4.5 billion at the end of fiscal year 2021-22. The balance of $4.5 billion in fiscal year 2021-22 triggers school district reserve caps beginning in fiscal year 2022-23.

- Local Control Funding Formula. The 2021-22 State Budget includes a LCFF cost-of-living adjustment of 4.05%, representing a fiscal year 2020-21 cost-of-living adjustment of 2.31% and a fiscal year 2021-22 cost-of-living adjustment of 1.7%. The 2021-22 State Budget also includes $520 million in Proposition 98 general fund resources to provide a 1% increase in LCFF base funding. This discretionary increase, together with the compounded cost-of-living adjustment, results in growth in the LCFF of 5.07% above the fiscal year 2020-21 levels.

- Deferrals. Recession-driven revenue reductions anticipated at the fiscal year 2020-21 State budget drove the need to defer LCFF apportionments in the amounts of $1.9 billion in fiscal year 2019-20, and growing to more than $11 billion in fiscal year 2020-21. As noted above, the 2021-22 State Budget eliminates all K-12 deferrals in fiscal year 2021-22.

- In-Person Instruction and Independent Study. The 2021-22 State Budget requires that all school districts return to full-time in-person instruction for the 2021-22 school year. In-person instruction will be the default for all students, and generally one of only two ways in which local educational agencies can earn State apportionment funding in fiscal year 2021-22. To give families a non-classroom based instruction option, and to provide local educational agencies with an option to generate State funding by serving students outside the classroom, the 2021-22 State Budget 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.

- Expanded Learning Time. The 2021-22 State Budget includes an initial $1.8 billion investment of Proposition 98 general fund resources as part of a multi-year plan to implement expanded-day, full-year instruction and enrichment for all elementary school students, with a focus on local educational agencies with the highest concentrations of low-income students, English language learners, and youth in foster care. Local educational agencies with the highest concentrations of such students will receive a higher funding rate, and such agencies will be required to offer expanded learning opportunities to the students generating the funds. The 2021-22 State Budget estimates that the Proposition 98 general fund costs to implement this proposal will grow to $5.0 billion by fiscal year 2025-26. Over the implementation period, per pupil funding will increase and more local educational agencies will be expected to expand access to all students.

- Universal Transitional Kindergarten. The 2021-22 State Budget includes a series of investments beginning in fiscal year 2022-23 to incrementally establish Statewide transitional kindergarten by fiscal year 2025-26. The costs of this plan are anticipated to be approximately $600 million in general fund resources in fiscal year 2022-23, growing to $2.7 billion in fiscal year 2025-26. In addition, the 2021-22 State Budget includes $200 million of one-time Proposition 98 general fund resources to provide planning and implementation grants for all local educational agencies and $100 million of one-time Proposition 98 general fund resources for local educational agencies to train and increase the number of early childhood educators. The 2021-22 State Budget also proposes new ongoing Proposition 98 general fund resources beginning in fiscal year 2022-23 to provide one additional certificated or classified staff person in each transitional kindergarten classroom. Finally, the 2021-22 State Budget includes $130 million of Proposition 98 general fund resources for State preschool providers to meet the additional demands of providing wraparound care for their income-eligible students under the universal transitional kindergarten program, such funds to be used for additional student access, as well as increasing reimbursement rates to more closely reflect regional differences in the cost of providing care.

- Comprehensive Student Supports. The 2021-22 State Budget includes $3.0 billion in Proposition 98 general fund resources, available over several years, to expand and strengthen the implementation and use of the community school model to all schools in communities with high levels of poverty. In addition, the 2021-22 State Budget includes an ongoing increase to the LCFF Concentration Grant (as defined herein) of $1.1 billion in Proposition 98 general fund resources to increase the number of adults providing direct services to students on school campuses, and includes $30 million in one-time Proposition 98 general fund resources for county offices of education to coordinate and provide services to youth in foster care. Finally, the 2021-22 State Budget provides $547.5 million in one-time Proposition 98 general fund resources for the A-G Completion Improvement Grant Program, which will fund high schools to increase the number of students, particularly students eligible for free and/or reduced price meals, English learners, and foster youth, who graduate from high school having completed the A-G series of classes required for admission to the California State University and the University of California.

- Educator Preparation, Retention, and Training. To further expand the State's educator preparation and training infrastructure, including to meet the need for additional early childhood educators, the 2021-22 State Budget provides approximately $2.9 billion to support educator initiatives, including approximately $1.0 billion in one-time Proposition 98 general fund resources for educator preparation and approximately $1.9 billion in one-time Proposition 98 general fund resources for educator retention and training.

- Nutrition. The 2021-22 State Budget provides an additional $54 million in Proposition 98 general fund resources to reimburse all meals served to students, including for those who would not normally qualify for reimbursement under the State meal program. Beginning in fiscal year 2022-23, all schools will be required to provide two free meals per day to any student who requests a meal, regardless of income eligibility, and all schools eligible for the federal universal meals provision will be required to apply for the program by June 30, 2022 to reduce volatility in costs to the State and to ensure the State is not responsible for costs reimbursable at the federal level. The 2021-22 State Budget estimates costs of $650 million in Proposition 98 general fund resources annually to cover any remaining unreimbursed costs up to the federal free per-meal rate. In addition, the 2021-22 State Budget provides $150 million in one-time Proposition 98 general fund resources for school districts to provide school kitchen infrastructure and equipment upgrades and training for food service employees.

- Special Education. The 2021-22 State Budget includes the following for special education programs: approximately $465 million in one-time Proposition 98 general fund resources for local education agencies to provide learning recovery support for students with disabilities and to improve delivery of inclusive practices; approximately $396.9 million in one-time Proposition 98 general fund resources to increase the Statewide base rate for special education funding; approximately $297 million in federal Individuals with Disabilities Education Act funds to support special education programs; approximately $260 million in ongoing Proposition 98 general fund resources to support early intervention services for preschool-aged children; approximately $186.1 million in ongoing Proposition 98 general fund resources to provide a 4.05% cost-of-living adjustment for State special education funding; and approximately $100 million in Proposition 98 general fund resources for alternative dispute resolution of special education services complaints.

- Career Technical Education. The 2021-22 State Budget includes an increase of $150 million in ongoing Proposition 98 general fund resources to augment opportunities for local educational agencies to participate in the Career Technical Education Incentive Grant Program, as well as an increase of $86.4 million in one-time Proposition 98 general fund resources for career technical education regional occupational centers or programs operated by a joint powers authority to address costs associated with the COVID-19 pandemic.

The complete 2021-22 State Budget is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2022-23 State Budget. The Governor released the fiscal year 2022-23 proposed State budget (the "Proposed 2022-23 State Budget") on January 10, 2022. The Proposed 2022-23 State Budget reflects a significant surplus of tax revenues resulting from the State's continued economic growth. The Proposed 2022-23 State Budget continues the State's focus on building reserves, eliminating budgetary debt, reducing retirement liabilities, and prioritizing one-time spending over ongoing investments by allocating 86% of discretionary surplus funds to one-time investments. The Proposed 2022-23 State Budget is projected to be structurally balanced in fiscal year 2025-26, which is the last year in the State's multi-year forecast. However, the economic forecast, finalized in November 2021, does not consider the surge of the Omicron variant; thus, the COVID-19 pandemic remains a risk to the economic forecast. In addition, the Governor notes that strong stock market performance has generated a significant increase of volatile capital gains tax revenue that is approaching its prior peak levels, as a share of the State's economy, and cautions that a stock market reversal could lead to a substantial decrease in tax revenues for the State. Given the State's history of boom and bust cycles, the Proposed 2022-23 State Budget reflects an attempt to balance making additional deposits into the State's reserves to further prepare the State for future economic slowdowns against other spending priorities.

The Proposed 2022-23 State Budget estimates that total resources available in fiscal year 2021-22 will total approximately $233.7 billion, including revenues and transfers of approximately $196.7 billion and a prior year balance of approximately $37.0 billion, and total expenditures in fiscal year 2021-22 will be approximately $210.0 billion. The Proposed 2022-23 State Budget projects total resources available for fiscal year 2022-23 of approximately $219.4 billion, inclusive of revenues and transfers of approximately $195.72 billion and a prior year balance of approximately $23.7 billion. The Proposed 2022-23 State Budget projects total expenditures in fiscal year 2022-23 of approximately $213.1 billion, inclusive of non-Proposition 98 expenditures of approximately $140.0 billion and Proposition 98 expenditures of approximately $73.1 billion. The Proposed 2022-23 State Budget includes approximately $34.6 billion in reserves in fiscal year 2022-23 and allocates reserves as follows: approximately $20.9 billion in the State Rainy Day Fund for fiscal emergencies, approximately $9.7 billion in the Proposition 98 Rainy Day Fund (Public School System Stabilization Account), approximately $900 million in the Safety Net Reserve, and approximately $3.1 billion in the State's Special Fund for Economic Uncertainties. In addition, the Proposed 2022-23 State Budget allocates approximately $3.2 billion of the State's general fund balance in fiscal year 2022-23 to the State's Reserve for Liquidation of Encumbrances. The State Rainy Day Fund is at its constitutional maximum of 10% of State general fund revenues, requiring approximately $2.4 billion to be dedicated for infrastructure investments in fiscal year 2022-23.

The Proposed 2022-23 State Budget also projects that the Gann Limit will likely be exceeded in fiscal years 2020-21 and 2021-22. As a result, any funds above the Gann Limit are constitutionally required to be allocated evenly between school districts and a tax refund. The State plans to include an updated calculation of its Gann Limit for fiscal years 2020-21 and 2021-22, as well as proposals to address such limit, in the Governor's May revision to the Proposed 2022-23 State Budget.

The Proposed 2022-23 State Budget includes total funding of approximately $119.0 billion for all K-12 education programs, including roughly $70.5 billion from the State's general fund and about $48.5 billion from other funds. Per-pupil funding totals $15,261 per pupil in Proposition 98 funding—the State's highest level of per-pupil funding in history—and $20,855 per pupil when accounting for all funding sources. While the Proposed 2022-23 State Budget includes a 5.33% cost-of-living adjustment under LCFF, which is also a record high since the recession of 2007 through 2009, such high cost-of-living adjustment is attributable to inflation and does not provide any additional base funding under LCFF beyond what is needed for K-12 school districts to maintain their existing buying power.

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

- <u>Proposition 98 Minimum Guarantee</u>. The Proposed 2022-23 State Budget includes increased Proposition 98 funding, resulting in funding estimates of $95.9 billion in fiscal year 2020-21, $99.1 billion in fiscal year 2021-22, and $102.0 billion in fiscal year 2022-23, due to a significant increase in projected revenues for fiscal years 2020-21 through 2022-23. Such funding represents a three-year increase in the minimum guarantee of roughly $16.1 billion over the level funded in the 2021-22 State Budget.

- <u>Proposition 98 Rainy Day Fund (Public School System Stabilization Account)</u>. The Proposed 2022-23 State Budget includes payments required to be made to the Proposition 98 Rainy Day Fund in fiscal years 2020-21 through 2022-23 resulting in a total account balance of more than $9.7 billion at the end of fiscal year 2022-23. As indicated in the Proposed 2022-23 State Budget, the balance of approximately $6.7 billion in fiscal year 2021-22 triggers school district reserve caps beginning in fiscal year 2022-23. For more information, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – *SB 751*."

- Cost-of-Living Adjustment. The Proposed 2022-23 State Budget includes a LCFF cost-of-living adjustment of 5.33%. Such increase will result in about $3.3 billion in additional discretionary funds for local educational agencies to combat inflation. The Proposed 2022-23 State Budget also proposes an increase of approximately $295 million in ongoing Proposition 98 general fund resources to reflect a 5.33% cost-of-living adjustment for categorical programs that remain outside of the LCFF, including special education, child nutrition, youth in foster care, mandate block grants, adults in correctional facilities program, American Indian education centers, and the American Indian early childhood education program.

- Declining Enrollment Protections and Independent Study. To allow school districts to adjust to enrollment-related funding declines and minimize the impacts of a single-year drop in enrollment, the Proposed 2022-23 State Budget recommends amending the LCFF calculation to consider the greater of a school district's current fiscal year, prior fiscal year, or the average of three prior fiscal years' A.D.A. The Governor notes that this formula change will help school districts with significant declining enrollment and better serve remaining students. According to the Proposed 2022-23 State Budget, ongoing costs associated with these policies are estimated to be approximately $1.2 billion in Proposition 98 general fund resources. In addition, the State revised the independent study statute to allow local educational agencies to earn State apportionment funding for non-classroom-based instruction.

- Early Education. The Proposed 2022-23 State Budget includes approximately $639.2 million in general fund resources to expand eligibility for transitional kindergarten, from all children turning five-years-old between September 2 and December 2 to all children turning five-years-old between September 2 and February 2, beginning in the 2022-23 school year. Such additional general fund resources would increase the Proposition 98 guarantee through the process of "rebenching" or adjusting the Proposition 98 formulas to increase the share of State general fund revenue allocated to school districts. In addition, the Proposed 2022-23 State Budget proposes roughly $383 million in Proposition 98 general fund resources to add one additional certificated or classified staff person to every transitional kindergarten classroom. The Proposed 2022-23 State Budget also includes about $197.8 million in Proposition 98 general fund resources and about $110.6 million in general fund resources to increase the State Preschool Program adjustment factors for students with disabilities and dual language learners, as well as approximately $500 million in one-time Proposition 98 general fund resources to support the Inclusive Early Education Expansion Program. Finally, the Proposed 2022-23 State Budget proposes $166.2 million in Proposition 98 general fund resources to cover the full-year costs of State preschool rate increases that began January 1, 2022.

- Expanded Learning Opportunities Program. The Expanded Learning Opportunities Program, introduced in fiscal year 2021-22, aims to provide all students in low-income communities with no-cost access to nine hours of developmentally appropriate academic and enrichment activities per instructional day and for six weeks each summer. The Proposed 2022-23 State Budget proposes to allocate roughly an additional $3.4 billion in ongoing Proposition 98 general fund resources for the Expanded Learning Opportunities Program, increasing per pupil funding for the program and expanding the number of local education agencies offering no-cost services. In addition, the Proposed 2022-23 State Budget includes approximately $937 million in one-time Proposition 98 general fund resources to support the Expanded Learning Opportunities Program infrastructure, and approximately $148.7 million in ongoing Proposition 98 general fund resources to continue the one-time reimbursement rate increases from the 2021-22 State Budget for the After School Education and Safety and 21st Century Community Learning Centers programs.

- Special Education. In addition to the significant funding augmentations to special education over the past three fiscal years, the Proposed 2022-23 State Budget includes an additional approximately

$500 million in ongoing Proposition 98 general fund resources for the special education funding formula.

- College and Career Pathways. The Proposed 2022-23 State Budget includes approximately $1.5 billion in one-time Proposition 98 general fund resources (over four years) to support the development of pathway programs focused on technology, healthcare, education, and climate-related fields. In addition, the Proposed 2022-23 State Budget proposes approximately $500 million in one-time Proposition 98 general fund resources (also available 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.

- Transportation. The Proposed 2022-23 State Budget includes approximately $1.5 billion in one-time Proposition 98 general fund resources (available over three years) to support school transportation programs, with a focus on providing environmentally conscious school bus fleets.

- Nutrition. Beginning in fiscal year 2022-23, all public schools will be required to provide two free meals per day to any student who requests a meal, regardless of income eligibility. The Proposed 2022-23 State Budget includes approximately $596 million in Proposition 98 general fund resources to fund universal access to such subsidized school meals and approximately $450 million in one-time Proposition 98 general fund resources (available over three years) to upgrade school kitchen infrastructure and equipment.

- K-12 School Facilities. The Proposed 2022-23 State Budget allocates the remaining Proposition 51 bond funds, amounting to approximately $1.4 billion, to support school construction projects. Since Proposition 51 bonding authority is expected to be exhausted in fiscal year 2022-23, the Proposed 2022-23 State Budget proposes approximately $1.3 billion in one-time general fund resources in fiscal year 2022-23 and approximately $925 million one-time general fund resources in fiscal year 2023-24 to support new construction and modernization projects through the School Facility Program.

- Local Property Tax Adjustments. The Proposed 2022-23 State Budget includes a decrease of $127.8 million in ongoing Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2021-22, and a decrease of $1.4 billion in ongoing Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2022-23, as a result of increased offsetting property taxes.

- Educator Workforce. The Proposed 2022-23 State Budget proposes approximately $54.4 million in a mix of Proposition 98 general fund resources and general fund resources to build upon the multi-year investments included in the 2021-22 State Budget to support efforts to enhance schools' ability to hire qualified teachers and substitutes.

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

LAO Overview of Proposed 2022-23 State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the Proposed 2022-23 State Budget entitled "The 2022-23 Budget: Overview of the Governor's Budget" on January 13, 2022 (the "2022-23 Proposed Budget Overview"). In the 2022-23 Proposed Budget Overview, the LAO analyzes key features of the Proposed 2022-23 State Budget and provides the following overarching comments: (1) there is considerable risk in multi-year projections that include spending above available resources; (2) aside from the Proposition 98 Rainy Day Fund, the State's other budget reserves have not increased as a share of other State general fund spending and are below pre-pandemic levels, which points to the need for the State to build up its general purposes reserves; (3) the State introduced many new initiatives and programs in fiscal year 2021-22, and the LAO suggests that the State focus on evaluating those programs and how to better support them as opposed to creating new programs or expanding the scope of existing programs; and (4) the LAO points out that longer-term COVID-19 planning and support may be necessary beyond the COVID-19 related expenditures the State is currently including in the Proposed 2022-23 State Budget.

The LAO notes that, under the Proposed 2022-23 State Budget, the State projects to end fiscal year 2022-23 with approximately $24.8 billion in total general purpose reserves, representing an increase of $4.3 billion from the budgeted reserve level of $20.7 billion in fiscal year 2021-22 set forth in the 2021-22 State Budget. The increase in total reserves is the result of an estimated $1.6 billion required deposit into the State Rainy Day Fund (of which approximately $2.4 billion will be spent on infrastructure projects in accordance with Proposition 2), a $3.5 billion true-up deposit into the State Rainy Day Fund for fiscal years 2020-21 and 2021-22, and a decrease in the discretionary Special Fund for Economic Uncertainties of nearly $1.0 billion. The LAO summarizes that at the end of fiscal year 2022-23, the State Rainy Day Fund would reach a balance of approximately $20.9 billion, the Special Fund for Economic Uncertainties would contain a balance of approximately $3.1 billion, and the Safety Net Reserve would contain a balance of approximately $900 million. Although the Proposition 98 Rainy Day Fund has increased from zero in fiscal year 2019-20 to nearly $10.0 billion under the Governor's estimates contained in the Proposed 2022-23 State Budget, the LAO emphasizes that the State's other budget reserves have not increased as a share of other general fund spending and, in fact, are significantly below the pre-COVID-19 pandemic share. Plus, withdrawals from the Proposition 98 Rainy Day Fund supplement the constitutional minimum spending level for K-14 education and therefore do not help the State address future budget problems. As a result, the LAO encourages the State legislature to consider building general purpose reserves above the level currently proposed by the Governor. As it is, the Proposed 2022-23 State Budget projects a negative balance in the Special Fund for Economic Uncertainties in fiscal year 2023-24 (and throughout the rest of the State's forecast) due to proposed spending exceeding resources, which is another reason that greater reserve deposits are needed to mitigate such risk.

The LAO explains that the Governor has proposed to use the total estimated $29.0 billion surplus by allocating approximately $17.3 billion to one-time or temporary spending, approximately $6.2 billion to revenue reductions, approximately $3.1 billion to the Special Fund for Economic Uncertainties, approximately $2.0 billion to ongoing spending (the costs of which the LAO estimates will grow significantly over time to $5.2 billion by fiscal year 2025-26), and approximately $590 million to repay State debts and liabilities. The LAO observes that such one-time, temporary, and ongoing spending amounts, totaling approximately $19.0 billion, are distributed across major program areas, including transportation infrastructure, K-14 education, and health care. Given the scale of the financial commitment in the 2021-22 State Budget, the LAO suggests that the State legislature be cautious in creating additional new programs as well as expanding the scope of existing programs. At the same time, the LAO notes that the Proposed 2022-23 State Budget does not include the extension of COVID-19 related program flexibilities and temporary supports that were provided in the 2021-22 State Budget. The LAO remarks that this oversight likely reflects that the Proposed 2022-23 State Budget was developed before Omicron became the prevailing COVID-19 variant in the State. Nonetheless, the LAO recommends that the State legislature closely consider the extent to which the Governor's proposals properly prepare the State for the reality that the COVID-19 pandemic will likely remain a public health and economic challenge in future years.

The LAO notes that the Proposed 2022-23 State Budget contains a total of $18.0 billion in Proposition 98 spending proposals for K-14 education programs. The LAO points out that of such total approximately $10.6 billion is ongoing and approximately $7.2 billion is for one-time activities. The LAO summarizes that the ongoing augmentations for school districts include accelerating implementation of the Expanded Learning Opportunities program, expanding transitional kindergarten, providing school meals for all students, providing cost-of-living adjustments, and offsetting the impact of declining attendance. The LAO comments that some major ongoing augmentations for schools appear reasonable and align with previous cost estimates. However, the LAO expresses concern that the Proposed 2022-23 State Budget contains too many one-time proposals and that school districts and community college districts will be unable to implement them all effectively given the unprecedented challenges of the COVID-19 pandemic currently facing such districts. As a result, the LAO recommends funding fewer new activities than the Proposed 2022-23 State Budget proposes.

The 2022-23 Proposed Budget Overview is available on the LAO website at **www.lao.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

[Disclosure to be updated when May 2022 Revise is available.] May Revision to the Proposed 2022-23 State Budget.

[Disclosure to be updated when May 2022 Revise is available.] Changes in State Budget. The final fiscal year 2022-23 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Proposed 2022-23 State Budget. In May 2022, the Governor will revise the Proposed 2022-23 State Budget based on updated information available at such time. Such revision in May 2022 may also differ substantially from the Proposed 2022-23 State Budget. The final fiscal year 2022-23 State budget may be affected by national and State economic conditions and other factors which the District cannot predict, including the continued and evolving effects of the COVID-19 pandemic on State revenues that may in turn impact the educational funding that the District receives from the State. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2022-23 State budget from the Proposed 2022-23 State Budget. The District cannot predict the impact that the final fiscal year 2022-23 State budget, or subsequent budgets, will have on its finances and operations.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control, including but not limited to the COVID-19 pandemic. Certain actions could result in a significant shortfall of revenue and cash and could impair the State's ability to fund schools during fiscal years 2021-22 and 2022-23 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Series D Bonds are payable from *ad valorem* property taxes, the Proposed 2022-23 State Budget and final fiscal year 2022-23 State budget is not expected to have a material impact on the payment of the Series D Bonds.

[Disclosure to be updated when May 2022 Revise is available.] School District Reserves. The 2021-22 State Budget projects an improved economic outlook for the State that results in deposits into the Public School System Stabilization Account as opposed to drawdowns (see "– *2021-22 State Budget*"); however, school districts may still need to access their local reserves in light of, among other things, increased expenses resulting from the COVID-19 pandemic. The District, which has an average daily attendance ("A.D.A.") of less than 30,000 (but greater than 1,001), is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. At the time of preparation of the District's Fiscal Year 2022-23 Budget, the District projects it [will/will not] meet the 3% statutory reserve requirement in fiscal years 2022-23 through 2024-25. Based on the

District's Fiscal Year 2022-23 Budget, the District projects it [may/will not] need to access its reserves in fiscal years 2022-23 through 2024-25 to meet its obligations.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the California Constitution, which voters of the State approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of an initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

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

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

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: 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. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated 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 was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the California Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is a LCFF district.

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

- A Base Grant for each local education agency ("LEA"). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2021-22, the LCFF provided to school districts and charter schools: (a) a targeted Base Grant for each LEA equivalent to $8,935 per A.D.A. for kindergarten through grade 3; (b) a targeted Base Grant for each LEA equivalent to $8,215 per A.D.A. for grades 4 through 6; (c) a targeted Base Grant for each LEA equivalent to $8,458 per A.D.A. for grades 7 and 8; (d) a targeted Base Grant for each LEA equivalent to $10,057 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12. The fiscal year 2020-21 State budget suspended the statutory cost-of-living adjustment for such fiscal year. The 2021-22 State Budget includes a cost-of-living adjustment of 4.05%, representing a fiscal year 2020-21 cost-of-living adjustment of approximately 2.3% and a fiscal year 2021-22 cost-of-living adjustment of approximately 1.7%. The 2021-22 State Budget also includes $520 million in Proposition 98 general fund resources to provide a 1% increase in LCFF base funding. Such discretionary increase, together with the compounded cost-of-living adjustment, results in growth of LCFF of 5.07% above the fiscal year 2020-21 levels.

- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional Concentration Grant of up to 65% of a LEA's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF in fiscal year 2018-19. Upon full implementation in fiscal year 2018-19, LEAs now receive the greater of the Base Grant or the ERT.

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

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

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

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

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Enrollment, A.D.A. and LCFF. The following table sets forth the District's actual A.D.A., enrollment (including the percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2017-18 through 2021-22, respectively, and the District's budgeted A.D.A., enrollment (including the percentage of EL/LI Students) and targeted Base Grant per unit of A.D.A. for fiscal year 2022-23 at the time of preparation of the Fiscal Year 2022-23 Budget. The A.D.A. and enrollment numbers reflected in the following table include special education and TK students but exclude adult education. ***[District to review and provide updates on table.]***

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2017-18 through 2022-23

		A.D.A./Base Grant					Enrollment[11]	
Fiscal Year		TK-3	4-6	7-8	9-12	Total A.D.A	Total Enrollment	Unduplicated Percentage of EL/LI Students
2017-18	A.D.A.[1]:	2,641.76	1,881.75	1,266.39	2,612.95	8,402.85	8,270	83.14%
	Targeted Base Grant[2][3]:	$7,941	$7,301	$7,518	$8,939	--	--	--
2018-19	A.D.A.[1]:	2,478.21	1,823.76	1,208.59	2,505.10	8,015.66	8,010	83.90%
	Targeted Base Grant[2][4]:	$8,235	$7,571	$7,796	$9,269	--	--	--
2019-20	A.D.A.[1]:	2,407.53	1,775.18	1,184.78	2,416.27	7,783.76	7,729	85.20%
	Targeted Base Grant[2][5]:	$8,503	$7,818	$8,050	$9,572	--	--	--
2020-21	A.D.A.[1][6]:	[2,216.26]	[1,720.20]	[1,121.63]	[2,276.77]	[7,334.86]	7,330	[85.20]%
	Targeted Base Grant[2][7]:	$8,503	$7,818	$8,050	$9,572	--	--	--
2021-22	A.D.A.[1]:	[___]	[___]	[___]	[___]	[___]	[7,187]	[___]%
	Targeted Base Grant[2][8]:	$8,935	$8,215	$8,458	$10,057	--	--	--
2022-23[9]	A.D.A.[1]:	[___]	[___]	[___]	[___]	[___]	[___]	[___]%
	Targeted Base Grant[2][10]:	[___]	[___]	[___]	[___]	--	--	--

(1) A.D.A. for the second period of attendance, typically in mid-April of each school year, which does not reflect subsequent revisions related to days deemed later by the California Department of Education to have a "material decrease" in attendance or attendance at Saturday school.
(2) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and include the grade span adjustment, but do not include any Supplemental Grants and Concentration Grants under the LCFF. Such amounts were not expected to be fully funded in fiscal years shown above. However, the LCFF was fully implemented as of fiscal year 2018-19, two years ahead of its anticipated implementation.
(3) Targeted fiscal year 2017-18 Base Grant amount reflects a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.
(4) Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts. This "super COLA" amount was authorized by the fiscal year 2018-19 State budget and exceeded the statutory 2.71% cost-of-living adjustment.
(5) Targeted fiscal year 2019-20 Base Grant amount reflects a 3.26% cost-of-living adjustment from targeted fiscal year 2018-19 Base Grant amounts.
(6) Attendance not required for fiscal year 2020-21. The fiscal year 2020-21 State budget included a hold harmless provision for the purpose of calculating apportionments under LCFF in fiscal year 2020-21, providing that average daily attendance for fiscal year 2020-21 was based on fiscal year 2019-20 (specifically, the period July 1, 2019 through February 29, 2020).
(7) Targeted fiscal year 2020-21 Base Grant amount reflects a 0% cost-of-living adjustment from targeted fiscal year 2019-20 Base Grant amounts.
(8) Targeted fiscal year 2021-22 Base Grant amount reflects a 5.07% adjustment from targeted fiscal year 2020-21 Base Grant amounts, which includes a 4.05% cost-of-living adjustment and a discretionary 1% increase in LCFF base funding. See "*– 2021-22 State Budget*."
(9) Figures reflect budgeted amounts based on Fiscal Year 2022-23 Budget.
(10) Targeted fiscal year 2022-23 Base Grant amount reflects a [__]% cost-of-living adjustment from targeted fiscal year 2021-22 Base Grant amounts.
(11) Reflects enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System. A school district's percentage of unduplicated EL/LI Students is based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Azusa Unified School District.

To ensure funding stability regardless of instructional model in light of the COVID-19 pandemic, the fiscal year 2020-21 State budget included a hold harmless provision for the purpose of calculating apportionments in fiscal year 2020-21, and it provided that average daily attendance for fiscal year 2020-21 is based on fiscal year 2019-20 (specifically, the period July 1, 2019 through February 29, 2020). However, the 2021-22 State Budget does not include an extension of the A.D.A. hold harmless provision in fiscal year 2021-22. See "– State Funding of Education; State Budget Process – *2021-22 State Budget*." Nonetheless, school districts with enrollment declines in fiscal year 2021-22 will continue to retain the ability to receive their apportionment based on the higher of their fiscal year 2019-20 or fiscal year 2020-21 A.D.A. as provided under the LCFF. See "– State Funding of Education; State Budget Process – *Allocation of State Funding to School Districts; Local Control Funding Formula*." The Proposed 2022-23 State Budget recommends amending the LCFF calculation to consider the greater of a school district's current fiscal year, prior fiscal year, or the average of three prior fiscal years' A.D.A. to allow school districts more time to adjust to enrollment-related funding declines. See "– State Funding of Education; State Budget Process – *Proposed 2022-23 State Budget*." The District, however, cannot provide any assurances that such proposed amendment to the LCFF calculation will be included in the final fiscal year 2022-23 State budget.

[In the past several years, the District, like many school districts in the State, has experienced declining enrollment, which has been exacerbated by the COVID-19 pandemic. The District also attributes declining enrollment to housing market fluctuations and declining birth rates. With the District's school reorganization, the District anticipates that it will increase and improve program offerings for its students. See "THE DISTRICT – Introduction." In addition, the District intends to [_____]. [Based on current projections in the District's Fiscal Year 2022-23 Budget, the District is expecting enrollment will [_____].]] ***[District to review and provide updates.]***

The District received approximately $84.65 million in aggregate revenues reported under LCFF sources in fiscal year 2020-21 (or approximately 69.60% of its general fund revenues in fiscal year 2020-21. Such amount includes Supplemental Grants and Concentration Grants for targeted groups estimated at approximately $[___] million and $[___] million, respectively, in fiscal year 2020-21. As of the Fiscal Year 2021-22 Estimated Actuals, the District estimates to receive approximately $[___] million in aggregate revenues reported under LCFF sources in fiscal year 2021-22 (or approximately [___]% of its general fund revenues in fiscal year 2021-22). Such amount includes Supplemental Grants and Concentration Grants for targeted groups estimated at approximately $[___] million and $[___] million, respectively, in fiscal year 2021-22. As of the Fiscal Year 2022-23 Budget, the District budgets to receive approximately $[___] million in aggregate revenues reported under LCFF sources in fiscal year 2022-23 (or approximately [___]% of its general fund revenues reported under LCFF sources in fiscal year 2022-23). Such amount includes Supplemental Grants and Concentration Grants for targeted groups budgeted at approximately $[___] million and $[___] million, respectively, in fiscal year 2022-23. ***[District to review and provide updates.]***

Local Property Tax Revenues

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

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

Based on the Fiscal Year 2021-22 Estimated Actuals, local property tax revenues are estimated to account for approximately [___]% of the District's aggregate revenues reported under LCFF sources in fiscal year 2021-22 and are estimated to be approximately $[___] million, or [___]% of total general fund revenues in fiscal year 2021-22. Based on the Fiscal Year 2022-23 Budget, local property tax revenues are budgeted to account for approximately [___]% of the District's aggregate revenues reported under LCFF sources in fiscal year 2022-23 and are budgeted to be approximately $[___] million, or [___]% of total general fund revenues in fiscal year 2022-23.

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

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

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

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

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

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Based on the Fiscal Year 2021-22 Estimated Actuals, the District estimates that federal revenues, most of which are restricted, will comprise approximately [___]% (or approximately $[___] million) of the District's general fund estimated revenues for fiscal year 2021-22. [The federal revenues estimates presented in the Fiscal Year 2021-22 Estimated Actuals are largely consistent with such projections in the Fiscal Year 2021-22 Second Interim Report.] Based on the Fiscal Year 2022-23 Budget, the District budgets that federal revenues, most of which are restricted, will comprise approximately [___]% (or approximately $[___] million) of the District's general fund budgeted revenues for fiscal year 2022-23.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the LCFF, the District receives other State revenues, consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Based on the Fiscal Year 2021-22 Estimated Actuals, the District estimates that other State revenues will comprise approximately [___]% (or approximately $[___] million) of the District's general fund estimated revenues for fiscal year 2021-22. [The other State revenues estimates presented in the Fiscal Year 2021-22 Estimated Actuals are largely consistent with such projections in the Fiscal Year 2021-22 Second Interim Report.] Based on the Fiscal Year 2022-23 Budget, the District budgets that other State revenues will comprise approximately [___]% (or approximately $[___] million) of the District's general fund budgeted revenues for fiscal year 2022-23.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. Based on the Fiscal Year 2021-22 Estimated Actuals, the District estimates to receive approximately $[___] million in State lottery revenue for fiscal year 2021-22 [, which is largely consistent with the projection of such revenues included in the Fiscal Year 2021-22 Second Interim Report]. Based on the Fiscal Year 2022-23 Budget, the District budgets to receive approximately $[___] million in State lottery revenue for fiscal year 2022-23.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Based on the Fiscal Year 2021-22 Estimated Actuals, the District estimates that other local revenues will comprise approximately [___]% (or approximately $[___] million) of the District's general fund estimated revenues for fiscal year 2021-22. [The other local revenues estimates presented in the Fiscal Year 2021-22 Estimated Actuals are largely consistent with such projections in the Fiscal Year 2021-22 Second Interim Report.] Based on the Fiscal Year 2022-23 Budget, the District budgets that other local revenues will comprise approximately [___]% (or approximately $[___] million) of the District's general fund budgeted revenues for fiscal year 2022-23.

[The revenues described in this section are based on the District's Fiscal Year 2021-22 Estimated Actuals and Fiscal Year 2022-23 Budget and do not reflect receipt or allocation of certain of the COVID-19 relief funds described below.]

Infectious Disease Outbreak

General. In general, the outbreak of a highly contagious disease or epidemic disease could harm the District's financial results or result in a temporary shutdown of the District's facilities. As discussed above, many school districts in the State are funded based on the LCFF, which allocates a Base Grant per unit of average daily attendance with additional supplemental funding in the form of Supplemental Grants and Concentration Grants based on certain factors. See "*– Allocation of State Funding to School Districts;*

Local Control Funding Formula." Thus, a temporary shutdown of a school or an entire school district would reduce the average daily attendance and could impact the funding a school district receives. Further, any impact on the State's tax and other revenue receipts as a result of a highly contagious or epidemic disease may in turn impact other educational funding that the District receives from the State. See "*– Changes in State Budget*" and "*– Future Budgets and Budgetary Actions.*" In addition, the District may incur increased operational costs to conduct distance learning or to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

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

Federal Response. On March 22, 2020, former President Trump approved the Major Disaster Declaration for the State of California's COVID-19 pandemic, authorizing federal emergency aid related to COVID-19 administered through the Federal Emergency Management Agency ("FEMA"). Local educational agencies may submit a request for FEMA public assistance through the California Office of Emergency Services for reimbursement of certain costs incurred as a result of COVID-19. The District [has/has not] submitted a FEMA request for public assistance. ***[District to review and provide updates.]***

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

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

On December 27, 2020, HR 133 was enacted, which includes a $900 billion COVID-19 relief package. HR 133 provides approximately $81.9 billion to education, specifically about $4.1 billion allocated to state governors to be used at their discretion to address the emergency, of which approximately $2.75 billion is reserved for private K-12 education, about $54.3 billion for public K-12 education, around $22.7 billion for postsecondary institutions, and about $819 million for outlying areas and Bureau of Indian Affairs schools. School districts will be able to use their share of the approximately $54.3 billion K-12 education allocation under HR 133, which will be based on the proportion of Title I funding received for the most recent fiscal year, for purposes authorized by federal law and other specified uses. The District expects to receive approximately $[___] under HR 133. The District has received approximately $[___] to date and expects to receive the remaining funding due under HR 133 once it requests reimbursement for authorized COVID-19 expenditures. ***[District to review and provide updates.]***

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

State Legislation Relating to School Districts. On March 17, 2020, the Governor signed Senate Bill 117 ("SB 117") as urgency legislation effective immediately. For purposes of school district funding for fiscal year 2019-20, SB 117 limits the A.D.A. reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed A.D.A. period applies to school districts that comply with Executive Order N-26-20, which provides that school districts that initiate a school closure to address COVID-19 will continue to receive State funding to support certain enumerated school functions during the period of closure. SB 117 further states the intent of the State Legislature that a school district's employees and contractors are paid during the period of a school closure due to COVID-19. SB 117 also waives instructional time penalties that would otherwise accrue, as long as the school district superintendent, county superintendent or charter school administrator certify that the closure due to COVID-19 caused the school district to fall below applicable instructional time requirements. SB 117 also includes $100 million in additional funding to school districts for certain costs incurred as a result of COVID-19. The District received $134,440 from such additional State funding in fiscal year 2019-20.

The Governor signed Assembly Bill 86 ("AB 86") into law on March 5, 2021. AB 86 provides approximately $6.6 billion to local educational agencies to encourage a return to in-person education, with a focus on students who are younger (TK-2) and most disproportionately impacted by the COVID-19 pandemic. Funding is distributed as follows: $725 per student, an additional $1,000 per homeless student, and funds remaining after these apportionments are distributed proportionally based on LCFF. $2 billion is set aside as incentive for school districts that returned to in-person instruction by March 31, 2021 for at least TK-2 and ramping up to include higher grades if county transmission rates allow. Beginning April 1, 2021, school districts' apportioned incentive funding was reduced by 1% for every academic calendar day they do not offer in-person education until May 15, 2021, after which school districts forfeited their entire apportionment of incentive funding. AB 86 allocates approximately $4.6 billion to local educational agencies to support expanded learning opportunities that target learning loss resulting from the COVID-19 pandemic. School districts must implement learning recovery programs that include, at minimum, supplemental instruction, resources for social and emotional well-being and meal programs. AB 86 also establishes reporting requirements to monitor COVID-19 cases and in-person education status and apportions $25 million to the State's "Safe Schools For All Team" to provide technical assistance, community engagement, oversight and accountability to school districts. AB 86 further sets aside 10% of the State's vaccine supply for childcare and TK-12 education sector staff. Under AB 86, the District expects to receive approximately $[___] in incentive funding for returning to in-person instruction prior to April 1, 2021, and approximately $[___] in expanded learning opportunities funding. The District has received approximately $[___] to date and expects to receive the remaining funding due under AB 86 once it requests reimbursement for authorized COVID-19 expenditures. ***[District to review and provide updates.]***

District Response. As a result of the outbreak of COVID-19, the District closed its schools for in-person instruction in March 2020 for the remainder of the 2019-20 school year and implemented a distance learning model. The District started the 2020-21 school year in August 2020 using the distance learning model until March 19, 2021, when students in TK through second grade returned to in-person instruction. The remaining elementary grade students returned to in-person instruction on [April 12, 2021], and middle and high school students returned on April 19, 2021. The District began the 2021-22 school year on August 19, 2021 using in-person instruction. For students who do not wish to return to in-person instruction for the 2021-22 school year, the District offers a virtual independent study program to students through the Azusa Virtual Academy. [Since the District is no longer statutorily authorized to offer certain distance learning alternatives to in-person instruction, the independent study program serves a significantly smaller portion of its students.] ***[District to review and provide updates.]***

In August 2021, the California Department of Public Health issued a public health order requiring all school employees in the State to either show proof of full vaccination or be tested at least once a week effective October 15, 2021. In October 2021, the Governor announced plans to add the COVID-19 vaccine to the list of vaccinations required for students to attend school in-person when the vaccine receives full approval from the Food and Drug Administration for middle and high school grades. Since the Food and Drug Administration has not fully approved the COVID-19 vaccine for individuals of all ages within the 7-12 grade span, such Statewide vaccination requirement will not be implemented for the 2022-23 school year; thus any Statewide student vaccination requirement, if implemented, would not take effect before July 1, 2023. [Accordingly, the District currently requires school employees to show proof of full vaccination or be tested weekly, and plans to continue to follow State requirements for student vaccinations when the COVID-19 vaccine receives full approval for students in middle and high school grades.] ***[District to review and provide updates.]***

In fiscal years 2019-20 and 2020-21, the District recorded approximately $[___] and $[___] million, respectively, in COVID-19 related expenditures, largely resulting from increased expenditures for, among other things, [materials, supplies, technology, professional development, consultants, and staffing]. In fiscal year 2021-22, the District is estimating approximately $[___] million for additional COVID-19 related expenditures for, among other things, [personal protective equipment and facility and school site safety upgrades and equipment]. In fiscal year 2022-23, the District is budgeting approximately $[___] million for additional COVID-19 related expenditures for, among other things, [personal protective equipment and facility and school site safety upgrades and equipment]. Pursuant to the COVID-19 relief measures described above, and certain other reimbursements through the LCFF and the Center for Disease Control, the District has been allocated State and federal funding to mitigate the impact of COVID-19, which the District currently expects [will/will not] cover the increased expenditures relating to COVID-19. ***[District to review and provide updates.]***

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

Charter Schools

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

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

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

Significant Accounting Policies and Audited Financial Statements

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are required to be accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all State school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2021, which are included as Appendix B to the Official Statement.

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

Effective fiscal year 2018-19, the District's audit firm changed from Vavrinek, Trine, Day & Co., LLP, Rancho Cucamonga, California ("VTD") to Eide Bailly LLP, Rancho Cucamonga, California ("Eide Bailly") after VTD joined Eide Bailly on July 22, 2019. The following tables contain data extracted from general fund financial statements prepared by the District's former independent auditor, VTD, for fiscal years 2016-17 and 2017-18, and by the District's current independent auditor, Eide Bailly, for fiscal years

2018-19 through 2020-21. VTD and Eide Bailly have not been requested to consent to the use or to the inclusion of their respective reports in this Official Statement, and they have not audited or reviewed this Official Statement. The following tables are only a summary of the general fund financial statements of the District for the fiscal years shown. The District's audited financial statements for the fiscal year ended June 30, 2021 are attached as Appendix B to this Official Statement. The complete audited financial statements of the District, including the notes to the audited financial statements, are an integral part of this Official Statement.

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The following table sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2016-17 through 2020-21.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2016-17 through 2020-21[(1)]

	Fiscal Year 2016-17 Audited Actuals	Fiscal Year 2017-18 Audited Actuals	Fiscal Year 2018-19 Audited Actuals	Fiscal Year 2019-20 Audited Actuals	Fiscal Year 2020-21 Audited Actuals
REVENUES					
LCFF sources	$86,080,824	$87,773,241	$88,916,908	$89,834,357	$84,652,498
Federal sources	7,977,173	6,838,495	7,621,178	6,720,561	15,512,432
Other State sources	13,198,247	10,898,522	16,557,301	12,206,804	13,712,643
Other local sources	8,245,999	8,851,947	8,782,440	9,036,582	7,744,693
Total Revenues	115,502,243	114,362,205	121,877,827	117,798,304	121,622,266
EXPENDITURES					
Current					
Instruction	69,663,137	68,803,192	74,941,869	72,488,031	71,708,437
Instruction-related activities:					
Supervision of instruction	4,729,990	5,056,421	5,212,416	5,500,665	4,384,316
Instructional library, media, and technology	2,245,264	2,180,039	2,680,203	1,949,035	1,455,748
School site administration	6,622,828	6,628,897	7,632,731	8,098,115	6,888,301
Pupil services:					
Home-to-school transportation	950,474	863,959	922,670	813,928	772,177
Food services	5,025	3,000	160,695	26,418	23,220
All other pupil services	7,641,176	7,585,120	8,109,053	7,169,359	6,611,620
Administration:					
Data processing	931,533	829,337	1,030,307	1,071,988	1,211,044
All other administration	5,083,737	5,092,938	5,664,071	5,329,558	5,734,908
Plant services	11,149,524	10,962,963	13,001,535	10,646,934	12,556,379
Ancillary services	482,862	536,176	519,579	456,045	234,590
Other outgo	4,431,003	4,544,796	3,632,077	3,457,050	3,466,543
Facility acquisition and construction	-	-	25,666	28,359	219,228
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total Expenditures	113,936,553	113,086,838	123,532,872	117,035,485	115,266,511
Excess (Deficiency) of Revenues Over Expenditures	1,565,690	1,275,367	(1,655,045)	762,819	6,355,755
OTHER FINANCING SOURCES (USES)					
Transfers In[(2)]	11,008	8,154	8,084	15,396	-
Transfers out[(3)]	(573,039)	(49,627)	(578,829)	(1,461,172)	-
Net Financing Sources (Uses)	(562,031)	(41,473)	(570,745)	(1,445,776)	-
NET CHANGE IN FUND BALANCES	1,003,659	1,233,894	(2,225,790)	(682,957)	6,355,755
Fund Balance – Beginning	21,458,854	22,462,513	23,696,407	21,470,617	20,787,660
Fund Balance – Ending	$22,462,513	$23,696,407	$21,470,617	$20,787,660	$27,143,415

(1) Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 54, the District's audited financial statements include the financial activity of the deferred maintenance fund and the special reserve fund for other than capital outlay projects with the District's general fund.
(2) Transfers in from the capital facilities fund for reimbursement of project costs.
(3) Transfers out to the cafeteria fund, the child development fund, and the self-insurance fund for program contributions, and to the special reserve for capital projects fund for project costs.

Source: Azusa Unified School District Audited Financial Statements for fiscal years 2016-17 through 2020-21.

The following table sets forth the general fund balance sheet of the District for fiscal years 2016-17 through 2020-21.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2016-17 through 2020-21

	Fiscal Year 2016-17 Audited Actuals	Fiscal Year 2017-18 Audited Actuals	Fiscal Year 2018-19 Audited Actuals	Fiscal Year 2019-20 Audited Actuals	Fiscal Year 2020-21 Audited Actuals
ASSETS					
Deposits and investments	$31,893,804	$33,499,094	$28,015,382	$20,357,987	$27,744,354
Receivables	5,322,393	4,012,676	5,313,321	14,458,108	16,123,248
Prepaid expenditures	-	-	514,161	56,222	955,355
Stores inventories	210,375	1,264	-	-	-
Total Assets	$37,426,572	$37,513,034	$33,842,864	$34,872,317	$44,822,957
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$14,039,971	$12,609,032	$12,321,673	$13,469,857	$12,341,677
Due to other funds	623	623	-	-	-
Unearned revenue	923,465	1,206,972	50,574	614,800	5,337,865
Total Liabilities	$14,964,059	$13,816,627	$12,372,247	$14,084,657	$17,679,542
FUND BALANCES:					
Nonspendable	$235,375	$26,264	$539,161	$81,221	$980,355
Restricted	4,134,180	3,801,968	4,199,581	3,061,477	4,501,522
Assigned	2,653,804	3,206,864	3,012,699	3,134,397	18,205,903
Unassigned	15,439,154	16,661,311	13,719,176	14,510,565	3,455,635
Total Fund Balance	22,462,513	23,696,407	21,470,617	20,787,660	27,143,415
Total Liabilities and Fund Balances	$37,426,572	$37,513,034	$33,842,864	$34,872,317	$44,822,957

Source: Azusa Unified School District Audited Financial Statements for fiscal years 2016-17 through 2020-21.

District Budget Process and County Review

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

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

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

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

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

Interim Reporting. A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the California Education Code (Section 42100 *et seq.*), each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then current projections, will not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the State Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

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

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

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

The District's Interim Reporting and Recent Correspondence from Los Angeles County Office of Education. In the past five years, the District has received a qualified certification for its first and second interim reports for fiscal year 2019-20. In its communications regarding the District's [second interim report for fiscal year 2021-22], the Los Angeles County Office of Education ("LACOE") has noted that [____________]. ***[To be updated based on LACOE letters. District to provide LACOE letters.]***

District's Fiscal Year 2020-21 Budget and Unaudited Actuals. The District's original adopted general fund budget for fiscal year 2020-21, which is included in the table that follows, reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2020-21 State budget, which were significantly revised in the fiscal year 2020-21 State budget. [After analyzing the revised assumptions included in the fiscal year 2020-21 State budget, District officials presented a budget update to the Board of Education in September 2020. Such budget update reflects additional Federal and State revenues related to the CARES Act, including an increase of approximately $6.74 million in LCFF sources revenues, approximately $9.26 million in federal revenues and approximately $646,718 in State revenues.] ***[District to review and provide updates.]*** Further, the District continued to revise its projections of revenues, expenditures, and ending fund balances as more financial data became available throughout the year, especially in light of the COVID-19 pandemic and the related one-time funding and educational needs and requirements for students in a remote learning environment. For more information on the COVID-19 pandemic and its impact on the District, see "DISTRICT FINANCIAL MATTERS – Infectious Disease

Outbreak." The District's unaudited actuals for fiscal year 2020-21, included in the table that follows, reflect the District's actual financial results for such fiscal year.

District's Fiscal Year 2021-22 Budget and Estimated Actuals. The District's original adopted general fund budget for fiscal year 2021-22 (the "Fiscal Year 2021-22 Budget"), which was adopted by the Board of Education on June 22, 2021, is included in the table that follows. The Fiscal Year 2021-22 Budget reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2021-22 State budget, which were not significantly revised in the 2021-22 State Budget. The Fiscal Year 2021-22 Budget does not contain historical facts but consist of forecasts and "forward-looking statements." The achievement of certain results or other expectations contained in the Fiscal Year 2021-22 Budget involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2021-22 Budget are expressly qualified in their entirety by the foregoing and the other cautionary statements.

As part of its financial reporting cycle, the District continues to revise its projections of revenues, expenditures, and ending fund balances as more financial data becomes available throughout the year. Accordingly, the District's Fiscal Year 2021-22 Estimated Actuals reflect actual financial data through May 31, 2022 and projections for the remainder of fiscal year 2021-22 based on such data. The District's Fiscal Year 2021-22 Estimated Actuals, which are expected to be reviewed and adopted by the Board of Education on [June 21], 2022, are included in the table that follows and described throughout this Appendix A. The achievement of certain results or other expectations contained in the Fiscal Year 2021-22 Estimated Actuals involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2021-22 Estimated Actuals are expressly qualified in their entirety by the foregoing and the other cautionary statements.

District's Fiscal Year 2022-23 Budget. The District's Fiscal Year 2022-23 Budget, which is expected to be reviewed and adopted by the Board of Education on [June 21], 2022, is also included in the table that follows and described throughout this Appendix A. The Fiscal Year 2022-23 Budget reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2022-23 State budget. See "– State Funding of Education; State Budget Process – *May Revision to Proposed 2022-23 State Budget*." Such assumptions are subject to change in the final fiscal year 2022-23 State budget. See "– State Funding of Education; State Budget Process – *Changes in State Budget*." The District's Fiscal Year 2022-23 Budget may be revised throughout fiscal year 2022-23 as additional information becomes available.

The Fiscal Year 2022-23 Budget does not contain historical facts but consist of forecasts and "forward-looking statements." The achievement of certain results or other expectations contained in the Fiscal Year 2022-23 Budget involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2022-23 Budget are expressly qualified in their entirety by the foregoing and the other cautionary statements.

The table on the following page sets forth the District's original adopted general fund budgets for fiscal years 2019-20 through 2022-23, unaudited actuals for fiscal years 2019-20 and 2020-21, and the Fiscal Year 2021-22 Estimated Actuals.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Fund Budgets for Fiscal Years 2019-20 through 2022-23, Unaudited Actuals for Fiscal Years 2019-20 and 2020-21 and Estimated Actuals for Fiscal Year 2021-22[(1)]

	2019-20 Original Budget	2019-20 Unaudited Actuals	2020-21 Original Budget	2020-21 Unaudited Actuals[(2)]	2021-22 Original Budget	2021-22 Estimated Actuals[(3)]	2022-23 Original Budget
REVENUES							
LCFF Sources	$89,651,805.00	$89,834,356.75	$78,151,451.00	$84,652,498.00	$88,367,631.00	$[________]	$[________]
Federal Revenue	6,871,836.00	7,320,412.06	10,560,228.00	15,615,393.29	9,113,671.00	[________]	[________]
Other State Revenue	4,950,526.00	12,206,804.23	4,176,923.00	13,712,642.83	8,135,972.00	[________]	[________]
Other Local Revenue	8,577,669.00	8,309,125.76	8,055,589.00	7,641,606.75	7,840,470.00	[________]	[________]
TOTAL REVENUES	110,051,836.00	117,670,698.80	100,944,191.00	121,622,140.87	113,457,744.00	[________]	[________]
EXPENDITURES							
Certificated Salaries	49,756,389.00	48,551,162.61	45,517,149.00	44,830,922.07	43,920,649.00	[________]	[________]
Classified Salaries	17,841,947.00	17,872,887.19	16,476,300.00	16,986,754.41	16,471,835.00	[________]	[________]
Employee Benefits	21,445,496.00	27,063,319.87	20,555,182.00	24,432,866.85	19,413,626.00	[________]	[________]
Books and Supplies	6,618,118.00	4,984,401.44	6,658,573.00	11,194,965.99	3,692,183.00	[________]	[________]
Services, Other Operating Expenses	13,337,500.00	13,667,832.51	14,418,382.00	12,623,348.25	15,281,386.00	[________]	[________]
Capital Outlay	-	11,797.24	-	910,270.90	248,000.00	[________]	[________]
Other Outgo (excluding Transfers of Indirect Costs)	3,630,091.00	3,457,050.39	3,491,958.00	3,466,543.44	3,422,556.00	[________]	[________]
Other Outgo - Transfers of Indirect Costs	(264,591.00)	(406,800.51)	(335,463.00)	(257,890.88)	(220,933.00)	[________]	[________]
TOTAL EXPENDITURES	112,364,950.00	115,201,650.74	106,782,081.00	114,187,781.03	102,229,302.00	[________]	[________]
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,313,114.00)	2,469,048.06	(5,837,890.00)	7,434,359.84	11,228,442.00	[________]	[________]
OTHER FINANCING SOURCES (USES)							
Inter-fund Transfers In[(4)]	3,000.00	15,396.47	12,000.00	-	12,000.00	[________]	[________]
Inter-fund Transfers Out[(5)]	(1,480,000.00)	(2,461,171.91)	(1,992,705.00)	(1,000,000.00)	(1,000,000.00)	[________]	[________]
Other Sources (Uses)	-	-	-	-	-	[________]	[________]
Contributions	-	-	-	-	-	[________]	[________]
TOTAL, OTHER FINANCING SOURCES (USES)	(1,477,000.00)	(2,445,775.44)	(1,980,705.00)	(1,000,000.00)	(988,000.00)	[________]	[________]
NET INCREASE (DECREASE) IN FUND BALANCE	(3,790,114.00)	23,272.62	(7,818,595.00)	6,434,359.84	10,240,442.00	[________]	[________]
BEGINNING BALANCE, as of July 1	14,597,173.29	15,660,328.79	15,337,010.79	15,683,601.41	19,078,619.00	[________]	[________]
Audit Adjustments	-	-	-	(1,192,245.00)	-	[________]	[________]
As of July 1 – Audited	14,597,173.29	15,660,328.79	15,337,010.79	14,491,356.41	19,078,619.00	[________]	[________]
Other Restatements	-	-	-	-	-	[________]	[________]
Adjusted Beginning Balance	14,597,173.29	15,660,328.79	15,337,010.79	14,491,356.41	19,078,619.00	[________]	[________]
ENDING BALANCE	$10,807,059.29	$15,683,601.41	$7,518,415.79	$20,925,716.25	$29,319,061.00	$[________]	$[________]
Unrestricted Balance	$6,609,802.35	$12,622,124.59	$2,414,981.36	$16,424,194.33	$17,607,536.00	$[________]	$[________]
Restricted Balance	$4,197,256.94	$3,061,476.82	$5,103,434.43	$4,501,521.92	$11,711,525.00	$[________]	$[________]

(1) Pursuant to GASB Statement No. 54, the District's audited financial statements reflect the unrestricted and restricted general fund, as well as the deferred maintenance fund and the special reserve fund for other than capital outlay projects, but the District's unaudited actuals, adopted budgets, and estimated actuals reflect only the unrestricted and restricted general fund without the inclusion of the deferred maintenance fund and the special reserve fund for other than capital outlay projects.

(2) [The fiscal year 2020-21 audit adjustment corrected an overstatement of the general fund due to the District accidently recording a payment towards long-term liabilities as a prepaid expenditure.]

(3) Figures are projections.

(4) Transfers in from the capital facilities fund for reimbursement of project costs.

(5) Transfers out to the cafeteria fund, the child development fund, and the self-insurance fund for program contributions, and to the special reserve for capital projects fund for project costs.

Source: Azusa Unified School District original adopted general fund budgets for fiscal years 2019-20 through 2022-23; unaudited actuals for fiscal years 2019-20 and 2020-21; and the Fiscal Year 2021-22 Estimated Actuals.

District Debt Structure

Long-Term Debt Summary. The schedule changes in the District's long-term liabilities, other than other post-employment benefits ("OPEB") and pension liabilities, during the fiscal year ended June 30, 2021, consisted of the following:

Long-Term Liabilities	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
General obligation bonds[(1)]	$177,390,326	$4,460,589	$(6,075,000)	$175,775,915	$5,485,000
Certificates of participation	4,920,000	-	-	4,920,000	180,000
Premium on bond issuance	5,454,888	-	(422,068)	5,032,820	-
Discount on issuance	(78,950)	-	4,045	(74,905)	-
Supplemental early retirement plan	2,360,214	-	(588,253)	1,771,961	590,054
Compensated absences	739,854	-	(201,089)	538,765	-
Claims liability	6,056,060	-	(1,485,093)	4,570,967	465,000
Total	$196,842,392	$4,460,589	$(8,767,458)	$192,535,523	$6,720,054

(1) Does not reflect issuance of the Series D Bonds.
Source: Azusa Unified School District Audited Financial Statements for fiscal year 2020-21.

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

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

Certificates of Participation. On July 27, 2012, the District executed and delivered the Azusa Unified School District Certificates of Participation (2012 School Facility Bridge Funding Program) (the "2012 Certificates") in the aggregate initial principal amount of $8,606,416. On May 28, 2015, the District executed and delivered the Azusa Unified School District Certificates of Participation, Series 2015 (the "2015 Certificates") in the aggregate principal amount of $4,920,000, the net proceeds of which, together with other available funds of the District, were applied to the prepayment of the 2012 Certificates. The 2015 Certificates represent the only outstanding certificates of participation of the District. The final principal payment date evidenced by the 2015 Certificates is August 1, 2040.

[+ Lease refinancing of 2015 Certificates.]

The 2015 Certificates mature through 2041 as follows:

Year Ending June 30,	Principal	Interest	Total
2022	$180,000	$182,375	$362,375
2023	185,000	180,575	365,575
2024	185,000	176,694	361,694
2025	190,000	172,300	362,300
2026	195,000	167,375	362,375
2027-2031	1,085,000	742,638	1,827,638
2032-2036	1,300,000	531,250	1,831,250
2037-2041	1,600,000	242,144	1,842,144
Total	$4,920,000	$2,395,351	$7,315,351

Source: Azusa Unified School District Audited Financial Statements for fiscal year 2020-21.

Compensated Absences. Total unpaid employee compensated absences (unpaid employee vacation) for the District as of June 30, 2021 amounted to $538,765.

Supplemental Early Retirement Plans. In fiscal year 2019-20, the District offered a voluntary retirement program (the "VRP") to qualified certificated and classified employees who would be at least age 55 with 10 or more years of service in the District as of June 30, 2020. VRP benefits are based on 85% of the STRS/PERS creditable compensation for the fiscal year. All contributions to the VRP plan will be made by the District, no employee contributions are required to participate. The District will fund the benefits over a five-year period. Currently, there are 36 employees participating in the VRP and the District's obligation to those retirees as of June 30, 2021, is $1,771,961.

Future payments are as follows:

Year Ending June 30,	Payment
2022	$ 590,054
2023	590,054
2024	591,853
Total	$1,771,961

Source: Azusa Unified School District Audited Financial Statements for fiscal year 2020-21.

Claims Liabilities. Liabilities associated with dental claims and workers' compensation claims are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for claims is reported in the Internal Service Fund. The outstanding claims liability as of June 30, 2021 amounted to $4,570,967 using a discount factor of 2.0%.

The following represent the changes in approximate aggregate liabilities for the District from July 1, 20019 to June 30, 2021 (in thousands):

	Dental Care	Workers' Compensation	Total
Liability Balance, July 1, 2019	$ 162,800	$11,295,230	$11,458,030
Claims and Changes in Estimates	718,138	(4,932,475)	(4,214,337)
Claims Payments	(755,090)	(432,543)	(1,187,633)
Liability Balance, July 1, 2019	125,848	5,930,212	6,056,060
Claims and Changes in Estimates	197,779	(895,116)	(697,337)
Claims Payments	(182,247)	(464,129)	(646,376)
Liability Balance, June 30, 2021	$ 141,380	$4,570,967	$4,712,347
Assets Available to Pay Claims at June 30, 2021	$1,049,059	$10,215,535	$11,264,594

Source: Azusa Unified School District Audited Financial Statements for fiscal year 2020-21.

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

2020-21, the District reported the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the District Plan and the MPP Plan as follows:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$19,036,504	$715,949	$3,804,260	$766,789
MPP Plan	658,615	-	-	51,273
Total	$19,695,119	$715,949	$3,804,260	$818,062

District Plan

The District Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the District Plan. The Board of Education administers the District Plan and has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements. No assets are accumulated in a trust that meets the criteria in GASB Statement Number 75 (defined below). As of the July 1, 2020 valuation date, for fiscal year 2020-21, the District Plan membership consisted of 933 total employees, which included 887 active employees and 46 inactive employees or beneficiaries currently receiving benefits payments.

The contribution requirements are based on projected pay-as-you-go financing requirements, as determined annually through the agreements between the District, California School Employees Association, Chapter 299 (“CSEA”), Azusa Educators Association/CTA/NEA (“AEA”), Azusa Federation of Adult Educators, Local 6098/CFT/AFL-CIO (“AFAE”), and unrepresented groups. For the measurement period of June 30, 2021, the District paid $722,264 in benefits (including implicit rate subsidies). In fiscal year 2021-22, the District estimates it will contribute approximately $[___] to the District Plan. In fiscal year 2022-23, the District budgets it will contribute approximately $[___] to the District Plan.] ***[District to review and provide updates.]***

Grant Thornton, LLP prepared an actuarial valuation for the District Plan, dated October 15, 2021, using a valuation date of July 1, 2020, which was rolled forward to the June 30, 2021 measurement date (the “Actuarial Valuation”). According to the Actuarial Valuation, as of June 30, 2021, the District’s total and net OPEB liability are both $19,036,504, since there are no assets accumulated in a trust to prefund benefits due under the District Plan. Such liability reflects an increase in the total and net OPEB liability from the prior actuarial valuation as of June 30, 2020 that provides a total and net OPEB liability of $17,862,379, since there are no assets accumulated in a trust to prefund benefits due under the District Plan. The Actuarial Valuation uses the following assumptions: discount rate of 2.18% (previously 2.66% as of June 30, 2020), salary increases of 2.75% (average, including inflation), inflation of 2.75% (previously 2.79% as of June 30, 2020), and healthcare cost trend rate of [7.00]% (6.75% for fiscal year 2021-22 and grading down to an ultimate rate of 4.50% in fiscal year 2030-31 and beyond).

The following table summarizes the changes in the total OPEB liability during the fiscal year ended June 30, 2021:

	Total OPEB Liability
Balance, June 30, 2020	$17,862,379
Service cost	896,883
Interest	489,453
Changes of assumptions	510,053
Benefit payments	(722,264)

Net change in total OPEB liability	1,174,125
Balance, June 30, 2021	$19,036,504

Source: Azusa Unified School District Audited Financial Statements for fiscal year 2020-21.

MPP Plan

The MPP Plan is established pursuant to Chapter 1032, Statutes of 2000 (SB 1435), and CalSTRS administers the MPP Plan through the Teachers' Health Benefits Fund ("THBF"). A full description of the MPP Plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: **http://www.calstrs.com/member-publications**. The information referred to at such website is prepared and maintained by CalSTRS and not by the District, and the District can take no responsibility for the continued accuracy of the internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

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

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

At June 30, 2021, the District reported a liability of $658,615 for its proportionate share of the net OPEB liability for the MPP Plan. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the MPP Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.1554% and 0.1631%, resulting in a net decrease in the proportionate share of 0.0077%. For the year ended June 30, 2021, the District recognized an OPEB expense of $51,273.

For more information regarding the District's OPEB obligations and liabilities for fiscal year 2020-21, see Note 8 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021."

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

Tax and Revenue Anticipation Notes. The District did not issue tax and revenue anticipation notes ("TRANS") or borrow funds to supplement the District's cash flow in fiscal years 2019-20 and 2020-21. [The District does not currently plan to issue TRANS in fiscal year 2021-22]. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow. ***[District to review and provide updates.]***

Employment

As of the Fiscal Year 2022-23 Budget, the District budgets approximately [___] full-time equivalent ("FTE") employees, including approximately [___] FTE certificated (credentialed teaching) staff, approximately [___] FTE classified (non-teaching) staff, and approximately [___] FTE management personnel. For fiscal year 2020-21, the total certificated and classified salaries paid from all applicable funds of the District were approximately $44.83 million and $16.99 million, respectively (including management personnel who are either counted as certificated or classified staff). As of the Fiscal Year 2021-22 Estimated Actuals, the District estimates that the total certificated and classified salaries paid from all applicable funds of the District will be approximately $[___] million and $[___] million, respectively (which also includes management personnel who are either counted as certificated or classified staff). As of the Fiscal Year 2022-23 Budget, the District budgets that the total certificated and classified salaries paid from all applicable funds of the District will be approximately $[___] million and [___] million, respectively, in fiscal year 2022-23 (which also includes management personnel who are either counted as certificated or classified staff). These employees, except management employees, are represented by California School Employees Association, Chapter 299 ("CSEA"), Azusa Educators Association/CTA/NEA ("AEA"), and Azusa Federation of Adult Educators, Local 6098/CFT/AFL-CIO ("AFAE"), as described in more detail below.

CSEA. CSEA represents approximately [___] FTE classified (non-teaching) employees in the District. The District and CSEA entered into a multi-year contract effective July 1, 2020 that expires on June 30, 2023. In March 2022, the District and CSEA reached an agreement regarding reopeners for fiscal year 2021-22 on the topics of salary and benefits (the "CSEA Agreement"). Under the CSEA Agreement, the District and CSEA agreed to a retroactive 3.55% salary schedule increases, effective July 1, 2021, and a 50% increase in annual medical contributions for bargaining unit members who are active upon the signing of the agreement. According to the District's A.B. 1200 disclosure regarding the CSEA Agreement, the District estimates that the financial impact of such salary and benefits will increase its operating expenditures with respect to all funds of the District by approximately $1.09 million in fiscal year 2021-22. The District expects to pay such additional expenditures in fiscal year 2021-22 from the fiscal year 2021-22 ending fund balance. Reopener negotiations between the District and CSEA for fiscal year 2022-23 are expected to start in [_____]. The financial impact of the fiscal year 2021-22 salary and benefits increases resulting from reopeners negotiations was first reflected in the second interim report for fiscal year 2021-

22 [and continues to be reflected in the Fiscal Year 2021-22 Estimated Actuals and the Fiscal Year 2022-23 Budget]. ***[District to review and provide updates.]***

AEA. AEA represents approximately [___] FTE certificated employees in the District. The District and AEA entered into a multi-year contract effective November 1, 2019 that expires on June 30, 2022. In March 2022, the District and AEA reached an agreement regarding reopeners for fiscal year 2021-22 on the topics of salary and benefits (the "AEA Agreement"). Under the AEA Agreement, the District and AEA agreed to a retroactive 4.5% salary schedule increase and a retroactive $1,000 annual medical contributions increase, both of which are effective as of July 1, 2021. According to the District's A.B. 1200 disclosure regarding the AEA Agreement, the District estimates that the financial impact of such salary and benefits will increase its operating expenditures with respect to all funds of the District by approximately $2.32 million in fiscal year 2021-22. The District expects to pay such additional expenditures in fiscal year 2021-22 from the fiscal year 2021-22 ending fund balance. Negotiations between the District and AEA for a new multi-year contract are expected to start in [_____]. The financial impact of the fiscal year 2021-22 salary and benefits increases resulting from reopeners negotiations was first reflected in the second interim report for fiscal year 2021-22 [and continues to be reflected in the Fiscal Year 2021-22 Estimated Actuals and the Fiscal Year 2022-23 Budget]. ***[District to review and provide updates.]***

AFAE. AFAE represents approximately [___] FTE [certificated and classified (non-teaching)] employees in the District. The District and AFAE entered into a multi-year contract effective July 1, 2019 that expires on June 30, 2022. In March 2022, the District and AFAE reached an agreement regarding reopeners for fiscal year 2021-22 on the topics of salary and benefits (the "AFAE Agreement"). Under the AFAE Agreement, the District and AFAE agreed to a retroactive 4.5% salary schedule increase and a retroactive $1,000 annual medical contributions increase, both of which are effective as of July 1, 2021. According to the District's A.B. 1200 disclosure regarding the AFAE Agreement, the District estimates that the financial impact of such salary and benefits will increase its operating expenditures with respect to all funds of the District by approximately $7,432 in fiscal year 2021-22. The District expects to pay such additional expenditures in fiscal year 2021-22 from the fiscal year 2021-22 ending fund balance. Negotiations between the District and AFAE for a new multi-year contract are expected to start in [_____]. The financial impact of the fiscal year 2021-22 salary and benefits increases resulting from reopeners negotiations was first reflected in the second interim report for fiscal year 2021-22 [and continues to be reflected in the Fiscal Year 2021-22 Estimated Actuals and the Fiscal Year 2022-23 Budget]. ***[District to review and provide updates.]***

Management Personnel. There are approximately [___] FTE management personnel in the District. [While management personnel are not represented by a bargaining unit, the District has historically matched [___] salary increases for management personnel. As such, in March 2022, the District and management personnel agreed to a retroactive 4.5% salary schedule increase and a retroactive $1,000 annual medical contributions increase, both of which are effective as of July 1, 2021.] The financial impact of the fiscal year 2021-22 salary and benefits increases was first reflected in the second interim report for fiscal year 2021-22 [and continues to be reflected in the Fiscal Year 2021-22 Estimated Actuals and the Fiscal Year 2022-23 Budget]. ***[District to review and provide updates.]***

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, including teachers and administrators, and CalPERS, which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. The CalSTRS defined benefit pension plan provides retirement benefits (generally 2% of final compensation for each year of credited service) to participating employees based on hiring date, age, final compensation and years of credited service. The CalSTRS benefit pension plan is funded through a combination of investment earnings and statutorily set contributions from participating employees, employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily set rates did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employee, employer and State contributions to CalSTRS were not sufficient to pay actuarially determined amounts. To address the shortfall and implement a new funding strategy, Governor Brown signed into law Assembly Bill 1469 on June 24, 2014, as part of the fiscal year 2014-15 State budget (the "2014-15 State Budget"). The 2014-15 State Budget introduced phased increases to employee, employer and State contributions to CalSTRS and sets forth a plan to eliminate, by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014.

The 2014-15 State Budget increased employee contributions, which were previously set at 8.00% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or after January 1, 2013 effective July 1, 2016. On July 1, 2018, the rate increased to 10.250% of pay for employees hired on or after January 1, 2013. Employer contribution rates were also increased in fiscal year 2014-15 to 8.88% of payroll, with such rate increasing by 1.85% each year thereafter, plateauing at 19.10% of payroll in July 2020. However, due to supplemental payments of approximately $850 million pursuant to the fiscal year 2019-20 State budget, employer contribution rates decreased from 18.13% to 17.10% in fiscal year 2019-20 and 19.10% to 18.40% in fiscal year 2020-21. In addition, pursuant to the fiscal year 2020-21 State budget, employer contribution rates were expected to decrease from 18.40% to 16.15% in fiscal year 2020-21 and from 17.10% to 16.02% in fiscal year 2021-22 (see table below). The State's total contribution was increased from approximately 3% in fiscal year 2013-14 to 6.828% of payroll in fiscal year 2017-18, and to 10.828% of payroll in fiscal year 2020-21. The State's contribution includes an annual payment of 2.5% of payroll pursuant to a supplemental inflation protection program. On June 9, 2021, the State Teachers' Retirement Board approved an employer contribution rate of 16.92% for fiscal year 2021-22.

Pursuant to the 2014-15 State Budget, employer contribution rates, including school districts' contribution rates, will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	17.10*
2020	16.15†
2021	16.02†

* Pursuant to the fiscal year 2019-20 State budget.
† Pursuant to the fiscal year 2020-21 State budget.
Source: Assembly Bill 1469.

The following table sets forth the District's employer contributions from [all applicable funds of the District] to CalSTRS as well as the State's non-employer contributions to CalSTRS on behalf of the District for fiscal years 2018-19 through 2020-21, the estimated contributions for fiscal year 2021-22, and the budgeted contributions for fiscal year 2022-23.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Contributions to CalSTRS for Fiscal Years 2018-19 through 2022-23

Fiscal Year	District Contribution	State On-Behalf Contribution
2018-19	$8,224,381	$4,431,496
2019-20	8,390,147	4,744,939
2020-21	7,262,460	5,042,546
2021-22(1)	[___]	[___]
2022-23(2)	[___]	[___]

(1) Fiscal Year 2021-22 Estimated Actuals.
(2) Fiscal Year 2022-23 Budget.
Source: Azusa Unified School District.

The District's total employer contributions to CalSTRS for fiscal years 2018-19 through 2020-21 were equal to 100% of the required contributions for each year. Pursuant to the 2014-15 State Budget, beginning in fiscal year 2021-22, the State Teachers' Retirement Board is required to increase or decrease employer contribution rates to the rates designed to eliminate the CalSTRS unfunded liability by June 30, 2046. A decrease in investment earnings may result in increased employer contribution rates in order to timely eliminate the CalSTRS unfunded liability. As the world is recovering from a global pandemic, the District cannot predict the impact of COVID-19 on investment earnings and employer contribution rates. See "DISTRICT FINANCIAL MATTERS – Infectious Disease Outbreak." However, under existing law, the State Teachers' Retirement Board may not increase the employer contribution rate by more than 1% in any fiscal year up to a maximum contribution rate of 20.25%. The State Teachers' Retirement Board may also adjust the State's contribution rate by a maximum of 0.5% from year to year, based on the funding status of the CalSTRS actuarially determined unfunded liability.

As of June 30, 2020, the actuarial valuation (the "2020 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $105.9 billion, an increase of approximately $200 million from the June 30, 2019 valuation. However, such increase in the unfunded actuarial liability was actually less than the increase expected in the June 30, 2019 valuation, which projected an unfunded actuarial liability of $106.8 billion as of June 30, 2020. The actual unfunded actuarial liability as of June 30, 2020 represents a net actuarial gain of approximately $900 million. Such net actuarial gain is due primarily to member salary increases being less than assumed and market value returns (estimated at 4.1%) being less than assumed (7.0%). The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2020 and June 30, 2019, based on the actuarial assumptions, were approximately 67.1% and 66.0%, respectively. According to the 2020 CalSTRS Actuarial Valuation, the funded ratio increased by 1.1% during the past year and has decreased by approximately 4% over the past 10 years. As described in the 2020 CalSTRS Actuarial Valuation, the primary causes for the increase in the funded ratio are member salary increases being less than assumed, additional State contributions made in the prior fiscal year, and contributions to pay down the unfunded actuarial liability under the State Teachers' Retirement Board's valuation policy.

Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The following are certain of the actuarial assumptions set forth in the 2020 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2020 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "– *Governor's Pension Reform*" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

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

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

CalPERS is funded by employee contributions and investment earnings, with the balance of the funding provided by employer contributions. School districts' contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot make any predictions as to the effect of a global pandemic, including COVID-19, on investment earnings and school district contributions. See "DISTRICT FINANCIAL MATTERS – Infectious Disease Outbreak" for more information about the impact of COVID-19. Participating employees enrolled in CalPERS prior to January 1, 2013 contribute 7.00% of their respective salaries, while participating employees enrolled after January 1, 2013 contribute the higher of fifty percent of normal costs of benefits or an actuarially determined rate of 7.00% in fiscal year 2019-20. School districts are required to contribute to CalPERS at an actuarially determined rate, which was 18.062% of eligible salary expenditures for fiscal year 2018-19 and originally 20.733% and 22.68% for fiscal years 2019-20 and 2020-21, respectively. However, the employer contribution rate for fiscal year 2019-20 was reduced to 19.721% as a result of the State's buydown of employer contribution rates in fiscal year 2019-20. Similarly, the fiscal year 2020-21 State budget allocated funding to buy down employer contribution rates in fiscal years 2020-21 and 2021-22 to an estimated 20.70% and 22.84%, respectively.

The CalPERS Schools Pool Actuarial Valuation as of June 30, 2020 (the "2020 CalPERS Schools Pool Actuarial Valuation") reported an actuarial accrued liability of $104.06 billion with the market value of assets at $71.4 billion, and a funded status of 68.6%. The actuarial funding method used in the 2020 CalPERS Schools Pool Actuarial Valuation is the "Entry Age Normal Cost Method." The 2020 CalPERS Schools Pool Actuarial Valuation assumes, among other things, 2.50% inflation and payroll growth of 2.75% compounded annually. The 2020 CalPERS Schools Pool Actuarial Valuation reflects a discount rate of 7.00% compounded annually (net of administrative expenses) as of June 30, 2020. The CalPERS Board adopted new demographic assumptions on December 19, 2017, including a reduction in the inflation assumption from 2.625% as of June 30, 2018 to 2.50% as of June 30, 2019. The reduction in the inflation assumption results in decreases in both the normal cost and the accrued liabilities in the future.

The following table sets forth the District's total employer contributions [from all applicable funds of the District] to CalPERS for fiscal years 2018-19 through 2020-21, the estimated contribution for fiscal year 2021-22, and the budgeted contribution for fiscal year 2022-23.

AZUSA UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Contributions to CalPERS for Fiscal Years 2018-19 through 2022-23

Fiscal Year	District Contribution
2018-19	$3,332,732
2019-20	3,135,570
2020-21	3,118,568
2021-22(1)	[____]
2022-23(2)	[____]

(1) Fiscal Year 2021-22 Estimated Actuals.
(2) Fiscal Year 2022-23 Budget.
Source: Azusa Unified School District.

The District's total employer contributions to CalPERS for fiscal years 2018-19 through 2020-21 were equal to 100% of the required contributions for each year.

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

CalSTRS and CalPERS are more fully described in Note 11 to the District's financial statements in APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021."

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $142,800 for 2021, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires State employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law.

Insurance

The District participates in three joint powers authorities ("JPAs"): the Alliance of Schools for Cooperative Insurance Programs ("ASCIP") for property and liability and workers' compensation coverage, the Schools Excess Liability Fund ("SELF") for excess liability coverage above the ASCIP limit of $5 million, and the California School Facilities Financing Authority ("CSFFA") for assistance in financing public capital improvements for the District. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes. All debt issued by CSFFA on behalf of the District is included in the District's financial statements. The JPAs have budgeting and financial reporting requirements independent of member units, such as the District, and their financial statements are not presented in the District's financial statements; however, fund transactions between the JPAs and the Districts are included in the District's financial statements. During the year ended June 30, 2021, the District made payments of $2,549,536, and $82,099, to ASCIP and SELF, respectively.

Property and Liability Coverage. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District has established an Internal Service Fund to account for and finance its uninsured risks of loss for property and liability coverage. For fiscal year 2020-21, the District participated in ASCIP for property and liability insurance coverage. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation Coverage. For fiscal year 2020-21, the District participated in ASCIP for workers' compensation coverage. The intent of ASCIP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts. Each participant pays its workers' compensation premium based on its individual rate. Participation in ASCIP is limited to districts that can meet the ASCIP's selection criteria. The District also has a portion of self-insured claims for workers' compensation for claims prior to joining ASCIP in 2019.

Employee Medical Benefits. Employee health benefits are covered by commercial insurance policies purchased by the District. The District has contracted with the Aetna Health Care, Kaiser Permanente, SafeGuard and Delta Dental, and SafeGuard and VSP to provide employee health benefits. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

See Note 10 and 13 to the District's audited financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021" for more information.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, voters of the State approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the California Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article 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 has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the California Supreme Court declined to review the ruling, leaving the recapture law in place.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. 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 1989.

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

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

Article XIIIB of the California Constitution

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

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, voters of the State approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIIIC and XIIID

("Article XIIIC" and "Article XIIID," respectively), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

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

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

Statutory Limitations

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

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

Proposition 98 and Proposition 111

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

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

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

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

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

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

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

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

Proposition 30 and Proposition 55

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

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

Applications of Constitutional and Statutory Provisions

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

Proposition 2

General. Proposition 2, which included certain constitutional amendments to the State Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by voters of the State in the November 2014 election.

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

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

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the 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 (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

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

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 2, 30, 55, 62, 98, 111 and 218, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenue.

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the issuance and the delivery of the Series D Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series D Bonds in substantially the following form:

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E

THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector of the County of Los Angeles (the "Treasurer") manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the Treasurer by school and community college districts, various special districts and some cities within the County. State law generally requires that all monies of the County, school districts and certain special districts within the County be held in the County's Treasury Pool (the "Treasury Pool") as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on the cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally. The Treasurer maintains a website, the address of which is ***http://ttc.lacounty.gov****, on which the Treasurer periodically places information relating to the Treasury Pool. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Series D Bonds.*

The County of Los Angeles Pooled Surplus Investments

The Treasurer and Tax Collector (the "Treasurer") of the County of Los Angeles (the "County") has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of February 28, 2022, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$17.737
Schools and Community Colleges	20.156
Discretionary Participants	4.495
Total	$42.388

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	89.40%
Discretionary Participants:	
Independent Public Agencies	9.97
County Bond Proceeds and Repayment Funds	0.63
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 9, 2021, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated March 31, 2022, the February 28, 2022 book value of the Treasury Pool was approximately $42.388 billion, and the corresponding market value was approximately $41.585 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (the "External Auditor") reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of February 28, 2022:

Type of Investment	% of Pool
Certificates of Deposit	4.72%
U.S. Government and Agency Obligations	67.89
Bank Acceptances	0.00
Commercial Paper	27.24
Municipal Obligations	0.07
Corporate Notes & Deposit Notes	0.08
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00%

The Treasury Pool is highly liquid. As of February 28, 2022, approximately 34.14% of the investments mature within 60 days, with an average of 1,015 days to maturity for the entire portfolio.

Neither the District nor the Underwriter has made an independent investigation of the investments in the Treasury Pool or made an assessment of the current Investment Policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County may change the 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.*

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series D Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series D Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series D Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

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

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

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

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

[APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY]