NEW ISSUE – FULL BOOK–ENTRY

RATINGS: Insured: S&P: "AA"
Underlying: Moody's: "A2"
See "RATINGS"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2019 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$31,300,000
LAMMERSVILLE SCHOOLS FINANCE AUTHORITY
2019 Lease Revenue Bonds
(Cordes Elementary School)

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

Authority for Issuance. The bonds captioned above (the "2019 Bonds") are being issued by the Lammersville Schools Finance Authority (the "Authority") under Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, a resolution adopted by the Board of Directors of the Authority on July 17, 2019, and an Indenture of Trust dated as of August 1, 2019 (the "Indenture") by and between the Authority and The Bank of New York Mellon Trust Company, N.A. as trustee (the "Trustee"). See "THE 2019 BONDS – Authority for Issuance."

Purposes. The 2019 Bonds are being issued to (i) finance the acquisition and construction of capital projects of the Lammersville Joint Unified School District (the "District"), and specifically the acquisition and construction of the District's Cordes Elementary School (the "Project") (ii) purchase a reserve fund insurance policy to be credited to a debt service reserve account for the 2019 Bonds (the "Reserve Account"), (iii) fund capitalized interest with respect to the 2019 Bonds for a limited period, and (iv) pay the costs of issuing the 2019 Bonds including premium for the Policy. See "FINANCING PLAN."

Security. Under the Indenture, the 2019 Bonds are payable from and secured by a first pledge of and lien on Revenues (as defined herein) received by the Authority under the Lease Agreement, dated as of August 1, 2019, by and between the Authority, as lessor, and the District, as lessee (the "Lease"), consisting primarily of lease payments (the "Lease Payments") made by the District under the Lease with respect to the lease of certain real property, as further described in this Official Statement. The 2019 Bonds are also secured by certain funds on deposit under the Indenture. See "SECURITY FOR THE 2019 BONDS."

Book-Entry Only. The 2019 Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). The 2019 Bonds are issuable as fully registered securities in denominations of $5,000 or any integral multiple of $5,000. Purchasers of the 2019 Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the 2019 Bonds. See "THE 2019 BONDS" and "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payments. Interest on the 2019 Bonds accrues from the date of delivery and is payable semiannually on April 1 and October 1 of each year, commencing April 1, 2020. Payments of principal and interest on the 2019 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, which will remit such payments to the Beneficial Owners of the 2019 Bonds. See "THE 2019 BONDS - General Provisions."

Redemption. The 2019 Bonds are subject to optional redemption, mandatory sinking fund payment redemption, special mandatory redemption from insurance or condemnation proceeds, and redemption from State grant proceeds and special tax bond proceeds prior to maturity. See "THE 2019 BONDS – Redemption."

NONE OF THE 2019 BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, OR THE OBLIGATION OF THE DISTRICT TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE DISTRICT. THE 2019 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2019 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE DISTRICT.

Bond Insurance. The scheduled payment of principal of and interest on the 2019 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2019 Bonds by Build America Mutual Assurance Company ("BAM""). BAM will also issue a reserve fund insurance policy concurrently with the delivery of the 2019 Bonds to be credited to the Reserve Account. See "BOND INSURANCE" and "APPENDIX G."

BAM
BUILD AMERICA MUTUAL

MATURITY SCHEDULE
(see inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the 2019 Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The 2019 Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Authority and the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the Authority and the District. Kutak Rock LLP, Irvine, California, is serving as counsel to the Underwriter. It is anticipated that the 2019 Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about August 29, 2019.

STIFEL

The date of this Official Statement is: August 8, 2019

LAMMERSVILLE SCHOOLS FINANCE AUTHORITY
2019 Lease Revenue Bonds
(Cordes Elementary School)

MATURITY SCHEDULE
(Base CUSIP:† 513540)

$13,375,000 Serial Bonds

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2025	$540,000	2.250%	1.220%C	AA2
2026	580,000	2.250	1.290 C	AB0
2027	620,000	2.500	1.370 C	AC8
2028	670,000	2.500	1.450 C	AD6
2029	715,000	2.500	1.520 C	AE4
2030	755,000	2.750	1.630 C	AF1
2031	815,000	2.750	1.830 C	AG9
2032	865,000	2.750	2.040 C	AH7
2033	925,000	2.750	2.180 C	AJ3
2034	990,000	2.750	2.330 C	AK0
2035	1,040,000	2.750	2.470 C	AL8
2036	1,110,000	2.750	2.560 C	AM6
2037	1,180,000	2.750	2.650 C	AN4
2038	1,250,000	2.750	2.690 C	AP9
2039	1,320,000	2.750	2.730 C	AQ7

$17,925,000 3.000% Term Bond Due October 1, 2049, Yield 3.040%, CUSIP: AR5

C: Yield to call at first optional redemption date of October 1, 2021 at par.

LAMMERSVILLE SCHOOLS FINANCE AUTHORITY
(SAN JOAQUIN COUNTY, CALIFORNIA)

BOARD OF DIRECTORS

Matthew Balzarini, *President*
Sharon Lampel, *Clerk*
Colin Clements, *Member*
Anne Goodrich, *Member*
David Pombo, *Member*

LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT

GOVERNING BOARD

Matthew Balzarini, *President*
Sharon Lampel, *Clerk*
Colin Clements, *Member*
Anne Goodrich, *Member*
David Pombo, *Member*

DISTRICT ADMINISTRATION

Dr. Kirk Nicolas, *Superintendent*
Alvina A. Keyser, *Chief Business Official*

PROFESSIONAL SERVICES

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

California Financial Services
Ladera Ranch, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2019 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the Authority or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the 2019 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the Authority and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Authority in any press release and in any oral statement made with the approval of an authorized officer of the District or the Authority or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project", "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, Authority or any other entity described or referenced herein since the date hereof.

Involvement of Underwriter. The following statement has been included in this Official Statement on behalf of the Underwriter of the 2019 Bonds: 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.

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market prices of the 2019 Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2019 Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bond Insurance. Build America Mutual Assurance Company ("BAM" or the "Bond Insurer") makes no representation regarding the 2019 Bonds or the advisability of investing in the 2019 Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer, supplied by the Bond Insurer and presented under the heading "BOND INSURANCE" and on APPENDIX G.

Document Summaries. All summaries of the Indenture or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The 2019 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The 2019 Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2019 Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the Authority, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2019 Bonds.

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APPENDICES

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OFFICIAL STATEMENT

$31,300,000
LAMMERSVILLE SCHOOLS FINANCE AUTHORITY
2019 Lease Revenue Bonds
(Cordes Elementary School)

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the bonds captioned above (the "**2019 Bonds**") by the Lammersville Schools Finance Authority (the "**Authority**"). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Indenture (as defined below).

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 and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2019 Bonds to potential investors is made only by means of the entire Official Statement.

Authority for Issuance. The Authority is issuing the 2019 Bonds under the following:

(a) Article 4 of Chapter 5, Division 7, Title 1 of the California Government Code, as amended, commencing with Section 6584 (the "**Law**"),

(b) resolutions adopted by the Board of Directors (the "**Board**") of the Authority on July 17, 2019 (the "**Authority Resolution**"), and by the Governing Board (the "**District Board**") of the Lammersville Joint Unified School District (the "**District**") on July 17, 2019 (the "**District Resolution**"), and

(c) an Indenture of Trust (the "**Indenture**") dated as of August 1, 2019, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**").

***The Authority**.* The Authority is a joint powers agency and public body organized and existing under the laws of the State of California. The members of the Authority are the District and California Municipal Finance Authority. The Authority was formed in 2013 for the primary purpose of financing public capital improvements for the District. The members of the District Board serve as the Board of Directors of the Authority. The Authority currently has no independent administrative staff.

***The District**.* The District was established in 1876 and is located in the western portion of San Joaquin County (the "**County**") and an eastern portion of Alameda County. The District currently serves approximately 5,740 students and currently operates six elementary (K-8) schools and one high school. See "THE DISTRICT." For demographic and financial information regarding the City of Tracy and the County, see "APPENDIX A – GENERAL INFORMATION ABOUT THE CITY OF TRACY AND SAN JAOQUIN COUNTY," and "APPENDIX C – FISCAL YEAR 2017-18 AUDITED FINANCIAL STATEMENTS."

Purpose of the 2019 Bonds. The 2019 Bonds are being issued to provide funds to (i) finance the acquisition and construction by the District of Cordes Elementary School (the "**Project**") (ii) purchase a reserve fund insurance policy to be credited to a debt service reserve account for the 2019 Bonds (the "Reserve Account"), (iii) fund capitalized interest with respect to the 2019 Bonds for a limited period, and (iv) pay the costs of issuing the 2019 Bonds including premium for the Policy. See "FINANCING PLAN."

Security for the 2019 Bonds and Pledge of Revenues. Under the Indenture, the 2019 Bonds are payable from and secured by a first pledge of and lien on "**Revenues**" (as defined in this Official Statement) received by the Authority under the Lease Agreement dated as of August 1, 2019, between the Authority, as lessor, and the District, as lessee (the "**Lease**"), consisting primarily of lease payments (the "**Lease Payments**") made by the District under the Lease. The 2019 Bonds are also secured by certain funds on deposit under the Indenture. See "SECURITY FOR THE 2019 BONDS."

The District and the Authority will enter into a Site Lease dated as of August 1, 2019 (the "**Site Lease**"). Under the Site Lease, the District will lease certain real property to the Authority, consisting of the Peter Hansen Elementary School (as described herein, the "**Leased Property**"). Concurrently, the District and the Authority will enter into the Lease, under which the Authority will lease the Leased Property back to the District for the purpose of financing the Project. See "THE LEASED PROPERTY."

Reserve Account. The Trustee will maintain a Reserve Account for the 2019 Bonds, which is available only for the 2019 Bonds and any Additional Bonds. Upon the issuance of the 2019 Bonds, the Reserve Requirement (defined below, see "SECURITY FOR THE 2019 BONDS – Reserve Account") will be $$47,159.00. A portion of the proceeds from the sale of the 2019 Bonds will be used to purchase a reserve fund insurance policy to be credited to the Reserve Account in the amount equal to the initial Reserve Requirement.

Parity Obligations. Under the Indenture, the Authority may issue additional bonds on a parity with the 2019 Bonds, provided that the conditions set forth in the Indenture are met. The 2019 Bonds and any Outstanding Additional Bonds are collectively referred to in this Official Statement as the "**Bonds.**" See "SECURITY FOR THE 2019 BONDS - Additional Bonds."

***Form of 2019 Bonds; Book-Entry Only*.** The 2019 Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York ("**DTC**"), or its nominee, which will act as securities depository for the 2019 Bonds. Purchasers of the 2019 Bonds will not receive certificates representing the 2019 Bonds that are purchased. See "THE 2019 BONDS - Book-Entry Only System" and "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Bond Insurance. Concurrently with the issuance of the 2019 Bonds, Build America Mutual Assurance Company ("**BAM**") will issue its Municipal Bond Insurance Policy for the 2019 Bonds (the "**Policy**"). The Policy guarantees the scheduled payment of principal of and interest on the 2019 Bonds when due, as set forth in the form of the Policy included as an appendix to this Official Statement. See “BOND INSURANCE” and APPENDIX G attached hereto.

Redemption. The 2019 Bonds are subject to optional redemption, mandatory sinking fund redemption, special mandatory redemption from insurance or condemnation proceeds and redemptions from State grant proceeds prior to their stated maturity dates. See “THE 2019 BONDS – Redemption” and “FINANCING PLAN.”

Abatement. The Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the District’s use and possession of the Leased Property or any portion thereof. If the Lease Payments are abated under the Lease, the Bond Owners would receive less than the full amount of principal of and interest on the 2019 Bonds. To the extent proceeds of rental interruption insurance are available (as described below), Lease Payments (or a portion thereof) may be made from those proceeds during periods of abatement. See “SECURITY FOR THE 2019 BONDS – Abatement” and “BOND OWNERS’ RISKS.”

Legal Opinion. Upon delivery of the 2019 Bonds, Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel (“**Bond Counsel**”) will release its final approving legal opinion with respect to the 2019 Bonds, regarding the validity and tax-exempt status of the 2019 Bonds, in the form attached hereto as APPENDIX D.

Risks of Investment. Debt service on the 2019 Bonds is payable only from Lease Payments and other amounts payable by the District to the Authority under the Lease and certain funds on deposit under the Indenture. For a discussion of some of the risks associated with the purchase of the 2019 Bonds, see “BOND OWNERS’ RISKS.”

NONE OF THE 2019 BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, OR THE OBLIGATION OF THE DISTRICT TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE DISTRICT, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE DISTRICT. THE 2019 BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE 2019 BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE DISTRICT.

FINANCING PLAN

The Project

The Authority is issuing the 2019 Bonds for the purpose of assisting the District in financing the "**Project**," which is defined in the Indenture as the acquisition and construction of certain public improvements to benefit the District, including an elementary school facility to be known as the Cordes Elementary School.

The District has concluded that new development in the District will create demand for Cordes Elementary School to open for the 2020-21 school year. In order to complete the Cordes Elementary School on that schedule, the District has requested that the Authority issue the 2019 Bonds in order to provide an interim construction funding source while the District awaits the availability of the following expected construction funding sources (collectively, the "**Long-Term Construction Funding**"):

- a State grant related to construction of Peter Hansen Elementary School;
- a State grant related to the Mountain House High School expansion project; and
- a State grant related to the construction of Cordes Elementary School.

The District has covenanted that, while the principal amount of the 2019 Bonds outstanding is greater than $12 million, it will not use funds received from Long-Term Construction Funding for any uses other than the (i) prepayment of the principal components of the Lease Payments or (ii) the payment of annual Lease Payments when due. Under the Indenture, beginning in 2025, if the District has not been able to prepay the Lease Payments in full with Long-Term Construction Funding, the District will be required to make the Lease Payments from any available source of funding, and primarily from its general fund.

The District expects to use the Long-Term Construction Funding, when and if available, to redeem the 2019 Bonds as described in "THE 2019 BONDS – Redemption - *Redemptions from State Grant Proceeds*."

The District can provide no assurance that any or all of the Long-Term Construction Funding sources will be available to the District. The District is not required to, use these proceeds, when and if available, to pay or prepay Lease Payments (resulting in payment or redemption of the 2019 Bonds when and if available). See "RISK FACTORS – Uncertainty of Funding Sources." However, the District has covenanted that it will not use the Long-Term Construction Funding sources for a purpose other than paying or prepaying Lease Payments until certain payment milestones have been met. See "SECURITY FOR THE 2019 BONDS."

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2019 Bonds are as follows:

Sources of Funds:	
Principal Amount of 2019 Bonds	$31,300,000.00
Plus: Net Original Issue Premium	3,560.90
TOTAL SOURCES	$31,303,560.90
Uses of Funds:	
Deposit to Project Fund	$28,000,000.00
Deposit to Capitalized Interest Subaccount (1)	2,684,850.00
Deposit to Costs of Issuance Fund (2)	618,710.90
TOTAL USES	$31,303,560.90

(1) Represents interest on the 2019 Bonds through April 1, 2022 and a portion of the interest due October 1, 2022.

(2) Represents funds to be used to pay costs of issuance of the 2019 Bonds, which include Underwriter's discount, legal fees, printing costs, rating agency fees, premiums for a municipal bond insurance policy and a reserve fund insurance policy, and other costs of issuing the 2019 Bonds.

THE LEASED PROPERTY

Description and Location

Lease Payments will be made by the District under the Lease for the use and occupancy of the Leased Property, which consists of the Peter Hansen Elementary School, including both land and improvements. The Leased Property is a multi-building elementary school site with a total of approximately 92,000 square feet located at 1400 Durant Terrace in the Mountain House community. The Leased Property was built in 2018. The District, based on comparable properties, insurance appraisal and other records it maintains, estimates the current fair rental value of the Leased Property to be $48.9 million, which is not less than the amount of the Lease Payments. This value does not include any value attributable to the land comprising the Leased Property.

Modification of Leased Property

Under the Lease, the District has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of the Lease.

Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under this provision of the Lease, must be of a value that is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements.

The District will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the District under this provision of the Lease; except that if any such lien is established and the District first notifies or causes to be notified the Authority of the District's intention to do so, the District may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and will provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the District.

Substitution of Leased Property

Under the Lease, the District has the option at any time and from time to time, to substitute other real property (the "**Substitute Property**") for the Leased Property or any portion thereof (the "**Former Property**"), upon satisfaction of all of the requirements set forth in the Lease, which include (among others) the following:

- The District has filed with the Authority and the Trustee, and caused to be recorded in the office of the County Recorder, sufficient memorialization of an amendment of the Lease, the Site Lease and the Assignment Agreement that adds the legal description of the Substitute Property and deletes therefrom the legal description of the Former Property, and has filed and caused to be recorded corresponding amendments to the Site Lease and Assignment Agreement.

- The District has obtained a CLTA policy of title insurance insuring the District's leasehold estate under the Lease in the Substitute Property, subject only to Permitted Encumbrances (as defined in the Lease), in an amount at least equal to the estimated value thereof.

- The District has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the District and constitutes property which the District is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the District and to serve an essential governmental function of the District.

- The District has filed with the Authority and the Trustee a written certificate of the District or other written evidence stating that the useful life of the Substitute Property at least extends to the final maturity date of the 2019 Bonds or such later date as specified in the Lease, that the estimated value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the aggregate Outstanding principal amount of the 2019 Bonds, and the fair rental value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the Lease Payments thereafter coming due and payable under the Lease.

See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Upon the satisfaction of all such conditions precedent, the Term of the Lease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The District is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this provision of the Lease.

Addition of Leased Property

Under the Lease, the District may, at any time and from time to time, add additional property (the "**Addition**") to the Leased Property. An Addition may be made in connection with the issuance of Additional Bonds, upon satisfaction of all of the requirements set forth in the Lease, which include (among others) the following:

- The District has certified in writing to the Authority and the Trustee that (i) the Addition serves the purposes of the District and constitutes property which the District is permitted to lease under the laws of the State, and has been determined to be essential to the proper, efficient and economic operation of the District and to serve an essential governmental function of the District, (ii) the useful life of the Addition extends to at least the end of the term of the Lease, (iii) the estimated value of the Leased Property (including the Addition) is at least equal to the aggregate Outstanding principal amount of the Bonds, and (iv) the fair rental value of the Leased Property (including the Addition) is at least equal to the Lease Payments thereafter coming due and payable hereunder.

- The District has obtained a CLTA standard form policy of title insurance in at least the amount of the aggregate principal amount of Bonds outstanding at the time of the Addition insuring the District's leasehold interest in the Addition to the Leased Property.

Release of Leased Property

Under the Lease, the District has the option at any time and from time to time to release any portion of the Leased Property from the Lease (the "**Released Property**") provided that the District has satisfied all of the requirements under the Lease that are conditions precedent to such release, which include (among others) the following:

- The District has filed with the Authority and the Trustee, and caused to be recorded in the office of the County Recorder sufficient memorialization of an amendment of the Lease, the Site Lease and the Assignment Agreement which removes the Released Property from the Lease, the Site Lease and the Assignment Agreement.

- The District has certified in writing to the Authority and the Trustee that the value of the property which remains subject to the Lease following such release is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the property which remains subject to the Lease following such release is at least equal to the Lease Payments thereafter coming due and payable thereunder.

See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

THE 2019 BONDS

This section provides summaries of the 2019 Bonds and certain provisions of the Indenture. See APPENDIX B for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX B.

Authority for Issuance

The 2019 Bonds are being issued under the Law, the Authority Resolution (which was adopted by the Board of the Authority on July 17, 2019), the District Resolution (which was adopted by the District Board on July 17, 2019), and the Indenture. Under the Authority Resolution and the District Resolution, the 2019 Bonds may be issued in a principal amount not to exceed $39,000,000.

General Provisions

Bond Terms. The 2019 Bonds will be dated their date of delivery and issued in fully registered form without coupons in integral multiples of $5,000, so long as no Bond has more than one maturity date.

Interest on the 2019 Bonds will be payable on April 1 and October 1 in each year, commencing April 1, 2020 (each an "**Interest Payment Date**"). The 2019 Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement.

Calculation of Interest. Interest on the 2019 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

(a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,

(b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or

(c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest with respect to the 2019 Bonds will be computed on the basis of a 360-day year composed of 12 months of 30 days each.

Record Date. Under the Indenture, "**Record Date**" means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

Payments of Principal and Interest. Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the 2019 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the 2019 Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2019 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of 2019 Bonds in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such 2019 Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which will remain in effect until rescinded in writing by the Owner.

The Trustee will pay principal of the 2019 Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

While the 2019 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to the 2019 Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the 2019 Bonds. See "– Book-Entry Only System" below.

Redemption

Optional Redemption. The 2019 Bonds maturing October 1, 2025 through October 1, 2039, inclusive, are subject to redemption, as a whole or in part at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on October 1, 2021 and on any date thereafter, at a redemption price equal to 100% of the principal amount of 2019 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The 2019 Bonds maturing October 1, 2049 are subject to redemption, as a whole or in part at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on October 1, 2027 and on any date thereafter, at a redemption price equal to 100% of the principal amount of 2019 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The 2019 Bonds maturing on October 1, 2049 (the **"Term Bonds"**), are subject to mandatory sinking fund redemption on October 1 of each year in accordance with the schedule set in the following table. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium.

Redemption Date (October 1)	Sinking Fund Redemption
2040	$1,395,000
2041	1,475,000
2042	1,555,000
2043	1,640,000
2044	1,730,000
2045	1,820,000
2046	1,925,000
2047	2,020,000
2048	2,130,000
2049 (maturity)	2,235,000

If any Term Bonds are redeemed pursuant to optional redemption, the total amount of all future sinking fund payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000 principal amount (or on such other basis as the District may determine) as set forth in written notice given by the Authority to the Trustee.

Special Mandatory Redemption From Insurance or Condemnation Proceeds. The 2019 Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any date, from any Net Proceeds required to be used for such purpose as provided in the Indenture, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

Redemptions from State Grant Proceeds. The 2019 Bonds are subject to redemption prior to their stated maturity date, as a whole or in part, at the election of the Authority, among maturities on such basis as designated by the Authority and by lot within a maturity, on any date on or after October 1, 2021, from grant funds received from the State of California, at a redemption price equal to the principal amount of the 2019 Bonds to be redeemed, plus accrued but unpaid interest on the 2019 Bonds to the redemption date, without premium.

Selection of 2019 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2019 Bonds of a single maturity, the Trustee will select the 2019 Bonds of that maturity to be redeemed from all 2019 Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate $5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond. Whenever less than all of the outstanding Bonds of more than one series are called for redemption at any one time, the Trustee will select the outstanding Bonds or portions thereof to be redeemed on a pro rata basis between the series.

Notice of Redemption. The Trustee shall mail notice of redemption of the 2019 Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any 2019 Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board as provided in the Continuing Disclosure Certificate.

Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date.

Conditional Redemption Notice; Rescission of Redemption. Redemption notices may be conditional. The Authority has the right to rescind any notice of optional redemption of the 2019 Bonds by written notice to the Trustee on or prior to the date fixed for redemption.

Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2019 Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture.

The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Indenture.

Effect of Redemption. If notice of redemption has been duly given as provided in the Indenture, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the 2019 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the 2019 Bonds (or portions thereof) so called for redemption will become due and payable, interest on the 2019 Bonds so called for redemption will cease to accrue, said 2019 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2019 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry Only System

The 2019 Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of $5,000 or any integral multiple of $5,000, under the book-entry system maintained by DTC. While the 2019 Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the 2019 Bonds. Purchasers of the 2019 Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM” for further information regarding DTC and the book-entry system.

Transfer, Registration and Exchange

The following provisions regarding the exchange and transfer of the 2019 Bonds apply only during any period in which the 2019 Bonds are not subject to DTC’s book-entry system. While the 2019 Bonds are subject to DTC’s book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Bond Register. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2019 Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2019 Bonds as provided in the Indenture.

Transfer of 2019 Bonds. Any 2019 Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee will require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Whenever any 2019 Bond or Bonds are surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new 2019 Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority will pay the cost of printing 2019 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of 2019 Bonds.

Exchange of 2019 Bonds. The 2019 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2019 Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee will require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The Authority will pay the cost of printing 2019 Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of 2019 Bonds.

Limitations on Transfer and Exchange. The Trustee may refuse to transfer or exchange, under these provisions of the Indenture, any 2019 Bonds selected by the Trustee for redemption under the Indenture, or any 2019 Bonds during the period established by the Trustee for the selection of 2019 Bonds for redemption.

DEBT SERVICE SCHEDULE

The table below shows the annual debt service payments on the 2019 Bonds, assuming no early redemptions.

Year Ending October 1	Principal	Interest	Total Debt Service
2020	--	$974,501.11	$974,501.11
2021	--	894,950.00	894,950.00
2022	--	894,950.00	894,950.00
2023	--	894,950.00	894,950.00
2024	--	894,950.00	894,950.00
2025	$540,000.00	894,950.00	1,434,950.00
2026	580,000.00	882,800.00	1,462,800.00
2027	620,000.00	869,750.00	1,489,750.00
2028	670,000.00	854,250.00	1,524,250.00
2029	715,000.00	837,500.00	1,552,500.00
2030	755,000.00	819,625.00	1,574,625.00
2031	815,000.00	798,862.50	1,613,862.50
2032	865,000.00	776,450.00	1,641,450.00
2033	925,000.00	752,662.50	1,677,662.50
2034	990,000.00	727,225.00	1,717,225.00
2035	1,040,000.00	700,000.00	1,740,000.00
2036	1,110,000.00	671,400.00	1,781,400.00
2037	1,180,000.00	640,875.00	1,820,875.00
2038	1,250,000.00	608,425.00	1,858,425.00
2039	1,320,000.00	574,050.00	1,894,050.00
2040	1,395,000.00	537,750.00	1,932,750.00
2041	1,475,000.00	495,900.00	1,970,900.00
2042	1,555,000.00	451,650.00	2,006,650.00
2043	1,640,000.00	405,000.00	2,045,000.00
2044	1,730,000.00	355,800.00	2,085,800.00
2045	1,820,000.00	303,900.00	2,123,900.00
2046	1,925,000.00	249,300.00	2,174,300.00
2047	2,020,000.00	191,550.00	2,211,550.00
2048	2,130,000.00	130,950.00	2,260,950.00
2049	2,235,000.00	67,050.00	2,302,050.00
Total:	$31,300,000.00	$19,151,976.11	$50,451,976.11

SECURITY FOR THE 2019 BONDS

The principal of and interest on the 2019 Bonds are not a debt of the Authority or the District, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.

This section provides summaries of the security for the 2019 Bonds and certain provisions of the Indenture, the Lease and the Site Lease. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a more complete summary of the Indenture, the Lease and the Site Lease. Capitalized terms used but not defined in this section have the meanings given in APPENDIX B.

Revenues; Pledge of Revenues

Pledge of Revenues and Other Amounts. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and all amounts (including proceeds of the sale of the 2019 Bonds) held in any fund or account established under the Indenture are pledged to secure the payment of the principal of and interest and premium (if any) on the 2019 Bonds and any Outstanding Additional Bonds (collectively, the "**Bonds**"), in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

Definition of Revenues. "**Revenues**" are defined in the Indenture as follows:

(a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts described in the provisions of the Lease relating to permitted amendments that provide for additional rental to be pledged or assigned for the payment of bonds issued to finance or refinance projects for which the District is authorized to expend its funds, and (ii) any Additional Rental Payments (consisting of certain administrative costs due to the Authority and the Trustee under the Lease), and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

Assignment to Trustee. Under the Assignment Agreement, the Authority has transferred to the Trustee all of the rights of the Authority in the Lease (other than the rights of the Authority under the provisions of the Lease regarding Additional Rental Payments, advances, release and indemnification covenants, and agreement to pay attorneys' fees).

The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee.

The Trustee is also entitled to and required to, subject to the provisions of the Indenture regarding rights of the Trustee, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under the Lease.

Allocation of Revenues by Trustee; Application of Funds

Deposit of Revenues in Bond Fund. All Revenues will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee will establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease to be deposited in the Redemption Fund or the Insurance and Condemnation Fund will be promptly deposited in such funds.

All Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Any surplus remaining in the Bond Fund, after payment in full of the principal of and interest on the Bonds or provision therefore under Indenture, and any applicable fees and expenses to the Trustee, will be withdrawn by the Trustee and remitted to the District.

Allocation of Revenues. On or before each Interest Payment Date, the Trustee will transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) Deposit to Interest Account. The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

(b) Deposit to Principal Account. The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including principal of any Term Bonds payable as a result of mandatory sinking fund redemption.

(c) Deposit to Reserve Account. The Trustee will deposit in the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement.

(d) Annual Bond Insurance Premium. Additional Rental Payments paid pursuant to Section 4.5 of the Lease for the annual premium for the Bond Insurance Policy shall be paid to the Bond Insurer on the date it is due under said Policy.

Application of Capitalized Interest Subaccount. Amounts on deposit in the Capitalized Interest Subaccount will be used and withdrawn by the Trustee solely for the payment of interest on the 2019 Bonds in the following amounts on the following dates:

April 1, 2020	$527,026.11
October 1, 2020	447,475.00
April 1, 2021	447,475.00
October 1, 2021	447,475.00
April 1, 2022	447,475.00
October 1, 2022	367,923.89

On October 2, 2022, the balance, if any, in the Capitalized Interest Subaccount will be fully expended for the payment of interest, and the Capitalized Interest Subaccount will be closed. In such case that the 2019 Bonds are redeemed under the Indenture, the Authority shall provide a revised schedule of payments to be made from the Capitalized Interest Subaccount.

Lease Payments; Covenant to Appropriate

Obligation to Pay. Under the Lease, subject to the provisions of Lease regarding abatement and prepayment, the District agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in the Lease, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in the Lease, and to be deposited by the District with the Trustee on each of the Lease Payment Dates specified in the Lease.

Any amount held in the Bond Fund, the Interest Account, the Capitalized Interest Subaccount and the Principal Account on any Lease Payment Date (other than amounts on deposit in the Reserve Account resulting from the prepayment of the Lease Payments in part but not in whole under the Lease, and amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid under the Lease. The District is not required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee.

The Lease Payments payable in any Rental Period are for the use of the Leased Property during that Rental Period.

Fair Rental Value. The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and are payable by the District in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period.

The District and the Authority have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property, other obligations of the District and the Authority under this Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the District and the general public.

Source of Payments; Covenant to Budget and Appropriate. Under the Lease, the Lease Payments are payable from any source of available funds of the District, subject to the provisions of the Lease regarding abatement. See " – Abatement" below.

The District covenants in the Lease to take all actions required to include the Lease Payments in each of its budgets during the Term of the Lease and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. This covenant of the District constitutes a duty imposed by law and each and every public official of the District is required to take all actions required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements agreed to be carried out and performed by the District under the Lease.

Limited Obligation

THE OBLIGATION OF THE DISTRICT TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE DISTRICT, THE AUTHORITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Abatement

Termination or Abatement Due to Eminent Domain*.* Under the Lease, if the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

(a) the Lease will continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and

(b) the Lease Payments are subject to abatement in an amount determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

Notwithstanding the foregoing, under the Lease, the Lease Payments will not be subject to abatement to the extent that the proceeds of hazard insurance, rental interruption insurance, capitalized interest or amounts in the Reserve Account are available to pay Lease Payments which would otherwise be abated.

Abatement Due to Damage or Destruction*.* Under the Lease, the Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the District of the Leased Property or any portion thereof.

The Lease Payments are subject to abatement in an amount determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction.

In the event of any such damage or destruction, this Lease continues in full force and effect and the District waives any right to terminate this Lease by virtue of any such damage and destruction.

Notwithstanding the foregoing, under the Lease, the Lease Payments will not be subject to abatement to the extent that proceeds of any taking in eminent domain proceedings or proceeds of insurance against accident to or destruction of the Leased Property collected by the District or the Authority in the event of any such accident or destruction (including rental interruption insurance) or amounts in the Bond Fund or the Reserve Account are available to pay Lease Payments which would otherwise be abated.

Additional Bonds

Under the Indenture, in addition to the 2019 Bonds, the Authority may, by Supplemental Indenture, establish one or more other issues of Additional Bonds on a parity with the 2019 Bonds, and may issue and deliver such Additional Bonds in a principal amount as may be determined by the Authority, but only upon compliance by the Authority with the provisions of the Indenture regarding the proceedings for issuing Additional Bonds, and subject to the following specific conditions which are conditions precedent to the issuance of Additional Bonds:

(a) Such Additional Bonds must be authorized to finance additional capital improvements of the District, or to refund bonds previously issued to finance such capital improvements, and the issuance thereof must be determined and declared by the Authority, in a Supplemental Indenture, to be necessary for that purpose.

(b) The Authority and the District must be in compliance with all covenants and undertakings set forth in the Indenture and in the Lease and the Site Lease.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding under the Indenture may not exceed any limit imposed by law, the Indenture or any Supplemental Indenture.

(d) The Supplemental Indenture authorizing issuance of Additional Bonds must have a balance on deposit in the Reserve Account upon delivery of said Additional Bonds in a sum at least equal to the Reserve Requirement with respect to all Outstanding Bonds, including said Additional Bonds, and shall also establish such accounts and subaccounts within the various funds and accounts established thereby or that the Authority deems necessary or advisable.

(e) Additional Bonds must be equally and ratably secured by the Revenues.

(f) The Authority must enter into an amendment to the Lease, in which the District obligates itself to make Lease Payments for the lease of the Leased Property at the times and in the amounts sufficient to provide for the payment of the principal of and interest on such Additional Bonds as such principal and interest become due and to make all other payments in the manner provided in the Lease, and the District must certify in writing that such Lease Payments, as amended, in any Rental Period will not exceed the fair rental value of the Leased Property.

(g) If necessary to ensure that the Lease Payments payable after the issuance of Additional Bonds does not exceed the fair rental value of the Leased Property in any Rental Period, the Authority and the District must amend the Property Lease to add additional property to the Leased Property.

(h) If the Additional Bonds are being issued to finance the construction of a to-be-built project, such project may not be part of the Leased Property prior to its completion.

(i) The Authority and the District must obtain the prior written of the Bond Insurer to such issuance of Additional Bonds, which consent will not be unreasonably withheld or delayed.

In addition, the Indenture requires the Authority to mail a notice of the proposed issuance to each rating agency then rating the Bonds.

Reserve Account

The Trustee will maintain a Reserve Account for the purpose of paying principal of or interest on the Bonds when due and payable to the extent moneys deposited in the Interest Account or Principal Account are not sufficient. The Reserve Account will be held for the equal benefit of the Owners of all of the Outstanding Bonds. As defined in the Indenture, the "Reserve Requirement" will be, as of any calculation date, an amount equal to the least of: (a) 10% of the initial principal amount of the Bonds, (b) the maximum annual debt service on the Bonds, and (c) 125% of average annual debt service on the Bonds. Upon the issuance of the Bonds, the Reserve Requirement will be $47,159.00. Amounts on deposit in or credited to the Reserve Fund upon the issuance of the Bonds will be sufficient to satisfy such initial Reserve Requirement.

If the Authority issues Additional Bonds, the Reserve Requirement will be increased to the extent permitted by the Tax Code.

The Authority will have no obligation to replace the reserve fund insurance policy or to fund the Reserve Account with cash if, at any time that the Bonds are Outstanding, the reserve fund insurance policy (or the Bond Insurer) is downgraded or the provider becomes insolvent, if there is an unscheduled termination of the reserve fund insurance policy or if for any reason insufficient amounts are available to be drawn upon under the reserve fund insurance policy; provided, however, that the Authority shall reimburse the provider, in accordance with the terms of the reserve fund insurance policy for any draws made thereon. See APPENDIX B for additional details regarding disbursements from the Reserve Account.

Property Insurance

Liability and Property Damage Insurance. Under the Lease, the District is required to maintain or cause to be maintained throughout the Term of the Lease, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the District, a standard commercial general liability insurance policy or policies in protection of the Authority, the District, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property.

Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the District deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District, subject to the provisions of the Lease, or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance.

The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

Casualty Insurance. Under the Lease, the District is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds.

Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and must include earthquake insurance if available at reasonable cost from reputable insurers in the judgment of the District.

Such insurance may be subject to such deductibles as the District deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in the Lease and described below.

Rental Interruption Insurance. Under the Lease, the District is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the casualty insurance described above, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance.

The Net Proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

Application of Net Proceeds*.* The Trustee, as assignee of the Authority under the Assignment Agreement, has the right to receive all Net Proceeds. As provided in the Indenture, the Trustee will deposit all Net Proceeds in the Insurance and Condemnation Fund to be applied to the redemption of Bonds as set forth in the Indenture.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues. Districts which had local property tax revenues which exceeded its revenue limit entitlement were deemed "Basic Aid Districts" and received full funding from local property tax revenues, and were entitled to keep those tax revenues which exceeded its revenue limit funding entitlement.

The fiscal year 2013-14 State budget package (the "**2013-14 State Budget**") replaced the previous K-12 finance system with a formula known as the Local Control Funding Formula (the **"LCFF"**). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

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

- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

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

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**"), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

Funding levels used in the LCFF target entitlement calculations, not including any supplemental or concentration grant funding entitlements, for fiscal year 2018-19 are set forth in the following table. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

Fiscal Year 2018-19 Base Grant* Under LCFF by Grade Span
(Targeted Entitlement)

Grade Span	2018-19 Base Grant Per ADA	2018-19 COLA (3.70%)	Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)	2018-19 Base Grant/Adjusted Base Grant Per ADA
K-3	$7,193	$266	$776	$8,235
4-6	7,301	270	n/a	7,571
7-8	7,518	278	n/a	7,796
9-12	8,712	322	235	9,269

*Does not include supplemental and concentration grant funding entitlements.
Source: California Department of Education

The new legislation included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 2013-14 State Budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Accounting Practices

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

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

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

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

Financial Statements

The District's audited financial statements for the fiscal year ending June 30, 2018, were prepared by Cichella & Tokunaga, LLP, El Dorado Hills, California (the "**Auditor**"), and are attached as APPENDIX C.

The District's financial statements should be read in their entirety. *The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District. In addition, the Auditor has not reviewed this Official Statement.*

General Fund Revenues, Expenditures and Changes in Fund Balance

The District's general fund is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. Tables 1 and 2 show the audited income and expense statements for the District for the fiscal years 2013-14 through 2017-18. Due to a change in presentation of the financial statements, this information is presented in two tables.

TABLE 1
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2013-14 through 2014-15 (Audited)

Revenues	Audited 2013-14	Audited 2014-15
LCFF Sources	$15,838,517	$23,821,911
Federal Revenues	602,616	624,699
Other State revenues	1,210,401	1,383,733
Other local revenues	839,432	1,168,849
Total Revenues	18,490,966	26,999,192
Expenditures		
Certificated Salaries	8,634,851	12,113,277
Classified Salaries	1,901,783	2,563,397
Employee Benefits:	3,404,099	5,072,049
Books and Supplies	1,281,515	2,203,823
Services and Operating Expenditures	2,792,633	3,822,363
Other Outgo	616,858	534,806
Capital Outlay	22,953	377,396
Total Expenditures	18,654,692	26,687,111
Excess of Revenues Over/(Under) Expenditures	(163,726)	312,081
Other Financing Sources (Uses)		
Operating Transfers in	--	--
Operating transfers out	--	(125,263) (1)
Total Other Financing Sources (Uses)	--	(125,263)
Net change in fund balance	(163,726)	186,818
Fund Balance, July 1	4,305,475	4,141,746
Fund Balance, June 30	$4,141,746	$4,328,564

(1) Represents one-time capital expenditures.
Source: Lammersville Joint Unified School District

TABLE 2
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2015-16 through 2017-18 (Audited)

Revenues	Audited 2015-16	Audited 2016-17	Audited 2017-18
LCFF Sources	$29,892,656	$34,845,277	$38,240,424
Federal Revenues	555,927	813,516	1,015,638
Other State Revenues	4,285,683	3,550,023	3,956,157
Other Local Revenues	1,088,894	1,190,664	1,253,661
Total Revenues	35,823,160	40,399,480	44,465,880
Expenditures			
Instruction	20,144,770	23,808,402	27,181,738
Instruction-Related Activities:			
Supervision of Instruction	1,203,542	1,902,690	2,179,816
Instructional Library, Media, Tech	710,608	947,868	1,088,374
School Site Administration	2,210,323	2,625,559	2,937,245
Pupil Services:			
Home-to-School Transport	141,580	179,674	132,877
Food Services	8,002	2,723	1,040
All Other Pupil Services	1,639,058	1,992,558	2,568,368
General Administration:			
All Other General Administration	1,656,829	2,037,007	2,391,953
Data Proc.	446,343	466,220	546,727
Plant Services	3,449,790	4,355,042	4,430,162
Facility Acquisition and Maintenance	--	40,675	398,222
Ancillary Services	905,926	1,098,088	1,539,916
Other outgo	404,631	549,909	661,500
Debt Service: Principal	--	32,385	32,385
Debt Service: Interest	--	1,394	1,394
Total Expenditures	32,921,402	40,040,194	46,091,717
Excess of Revenues Over/(Under) Expenditures	2,901,758	359,286	(1,625,837)
Other Financing Sources (Uses)			
Operating Transfers in	--	2,245	--
Other Sources	--	--	--
Operating Transfers out (1)	(130,037)	(125,000)	(125,255)
Total Other Financing Sources (Uses)	(130,037)	(122,755)	(125,255)
Net Change in Fund Balance	2,771,721	236,531	(1,751,092)
Fund Balance, July 1	4,328,564	7,100,285	7,336,816
Fund Balance, June 30	$7,100,285	$7,336,816	$5,585,724

(1) Represents one-time capital expenditures.
Source: Lammersville Joint Unified School District

Budget Process

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

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

The County Superintendent must review and approve or disapprove the budget no later than August 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. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

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

A State law adopted in 1991 (**"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, each school district is required to file 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 two fiscal years. 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 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 is deemed unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

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

District's Budget Approval/Disapproval and Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports.

General Fund for Fiscal Years 2018-19 (Budgeted and Estimated Actuals) and 2019-20 (Budgeted). Table 3 shows a summary of the general fund for fiscal year 2018-19 (Budgeted and Estimated Actuals) and 2019-20 (Budgeted).

TABLE 3
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance
Fiscal Year 2018-19 (Budgeted and Estimated Actuals)
Fiscal Year 2019-20 (Adopted Budget)

Revenues	**Adopted Budget Fiscal Year 2018-19**	**Estimated Actuals Fiscal Year 2018-19**	**Adopted Budget Fiscal Year 2019-20**
Total LCFF Sources	$46,720,183	$45,275,798	$49,952,430
Federal Revenues	948,583	1,032,364	924,050
Other state revenues	3,753,636	4,538,393	3,222,889
Other local revenues	659,754	1,241,882	729,902
Total Revenues	52,082,156	52,088,437	54,829,271
Expenditures			
Certificated Salaries	25,417,259	25,340,655	25,977,241
Classified Salaries	5,601,894	5,670,814	5,926,395
Employee Benefits	13,166,649	13,451,513	14,281,533
Books and Supplies	2,263,236	2,119,646	1,792,400
Contract Services & Operating Exp.	6,194,791	6,634,719	6,507,920
Capital Outlay	449,650	500,245	--
Other Outgo (excluding indirect costs)	761,379	824,869	821,322
Other Outgo – Transfers of Indirect Costs	(48,000)	(70,000)	(70,000)
Total Expenditures	53,806,858	54,472,461	55,236,811
Excess of Revenues Over/(Under) Expenditures	(1,724,702)	(2,384,024)	(407,540)
Other Financing Sources (Uses)			
Operating transfers in	--	--	--
Operating transfers out	(125,000)	(50,000)	(50,000)
Total Other Financing Sources (Uses)	(125,000)	(50,000)	(50,000)
Net change in fund balance	(1,849,702)	(2,434,024)	(457,540)
Fund Balance, July 1	5,585,722	5,585,722	3,151,698
Fund Balance, June 30	$3,736,020	$3,151,698	$2,694,158

Source: Lammersville Joint Unified School District

Attendance - Revenue Limit and LCFF Funding

Funding Trends under LCFF. As described above, prior to fiscal year 2013-14, school districts in California received State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target.

The table below sets forth a history of the District's ADA, including projections for the prior fiscal year, the current fiscal year and the next fiscal year.

TABLE 4
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Average Daily Attendance
Fiscal Years 2013-14 through 2017-18 (actual)
and 2018-19 through 2020-21 (projected)

Fiscal Year	Average Daily Attendance
2013-14	2,623
2014-15	3,384
2015-16	3,932
2016-17	4,426
2017-18	4,721
2018-19 [1]	5,210
2019-20 [1]	5,521
2020-21 [1]	5,713

[1] Projections.
Source: California Department of Education; Lammersville Joint Unified School District

District's Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 24.4% for purposes of calculating supplemental and concentration grant funding under LCFF.

The District, like all California school districts, receives a significant portion of its funding from State appropriations. As a result, decreases in State revenues may affect appropriations made by the Legislature to school districts. In addition, delays in or deferrals of State funding to school districts can result in corresponding delays in the receipt of revenues, including revenue limit revenues, by school districts. See "STATE FUNDING OF EDUCATION AND RECENT STATE BUDGETS."

Revenue Sources

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

TABLE 5
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
District Revenue Sources

	Percentage of Total District General Fund Revenues			
Revenue Source	2015-16	2016-17	2017-18	2018-19*
LCFF	83.46%	86.25%	86.00%	86.92%
Federal revenues	1.55	2.01	2.28	1.98
Other State revenues	11.96	8.79	8.90	8.71
Other local revenues	3.03	2.95	2.82	2.38

*Estimated Actuals.
Source: Lammersville Joint Unified School District

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the 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. Education Code Section 42238.02(j) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

Under LCFF, a school district whose property tax revenues exceed its funding under the LCFF is entitled to keep its local property tax revenues which exceed its LCFF funding, maintaining its status as a Basic Aid District, now referred to as a "Community Supported District." For school districts which were Community Supported Districts, prior to implementation of the LCFF, provided that the per pupil funding targets under LCFF, including economic recovery targets, are met or exceeded by local property tax revenues, such districts are entitled to retain their status as Community Supported and keep their full local property tax revenue entitlement. The threshold for Basic Aid status under the LCFF, however, is higher than under the prior funding formula, resulting in some districts falling out of Community Supported status as the result of the implementation of the LCFF. Accountability measures contained in the LCFF must be implemented by all districts, including Community Supported Districts.

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

Other State Revenues**.** As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's LCFF funding entitlement and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues.

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

For additional discussion of State aid to school districts, see "-Education Funding Generally."

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

Investments

Under the California Education Code, the District is required to pay all monies received from any source into the County Treasury to be held on behalf of the District. Therefore, the District's funds, including any moneys held by the District under the Lease Agreement and the Trust Agreement, as well as property taxes and other general fund revenues collected to pay debt service with respect to the 2019 Bonds, will be held and invested at one time or another by the County Treasurer.

Long-Term Obligations

General Obligation Bonds. On November 30, 2016, the District issued its General Obligation Bonds 2016 Election, Series A (the "**Series 2016A Bonds**"), in the aggregate principal amount of $56,000,000. The Series 2016A Bonds mature in 2046 and are currently outstanding in the aggregate principal amount of $56,000,000, payable from *ad valorem* tax collections in the District.

Community Facilities District Related Debt. The District has issued multiple series of community facilities district special tax bonds, which are payable solely from special taxes approved by the eligible voters of the applicable community facilities district, and levied within the boundaries of such district. The total outstanding principal amount of community facilities district special tax bonds at June 1, 2019, was $140,335,000.

Construction Loan. On July 7, 2012, in accordance with the Shortfall Assurance Agreement between the District and Shea Mountain House, LLC ("**SMH**"), the District received a loan of $52 million for the construction of Mountain House High School (the "**Funding Shortfall Contribution**").

The District has an existing obligation to repay SMH for the Funding Shortfall Contribution under the School Facilities Impact Mitigation Agreement (the "**Agreement**") dated October 27, 1988, as amended. Under the Agreement, SMH expressly waived any right to receive repayment of the Funding Shortfall Contribution from a State grant related to the Mountain House High School expansion project, and the Agreement does not limit the District's use of the other Long-Term Construction Funding sources to prepay the Lease Payments or redeem the 2019 Bonds.

See "FINANCING PLAN" for additional information regarding potential Long-Term Construction Funding.

For further information regarding the District's long-term liabilities, see the notes to the Financial Statements attached as APPENDIX C.

District Retirement Systems

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.*

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The District's employer contributions to STRS for recent fiscal years are set forth in the following table.

LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
STRS Contributions
Fiscal Years 2015-16 through 2019-20 (Projected)

Fiscal Year	Amount
2015-16	$1,549,448
2016-17	2,165,219
2017-18	2,740,395
2018-19 (1)	5,775,908 (2)
2019-20 (3)	6,370,551

(1) Estimated Actuals.
(2) Increases attributed to increase in contribution rates and modified accounting reporting requirements, which include reporting the District's proportionate share of the plan's net pension liability and recognizing on-behalf STRS contributions in governmental funds.
(3) Budgeted.
Source: Lammersville Joint Unified School District

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately $107.2 billion as of June 30, 2018 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (**"AB 1469"**), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16 through 2018-19 were 10.73%, 12.58%, 14.43% and 16.28%, respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

Employer Contribution Rates (STRS)
Fiscal Years 2019-20 through 2022-23

Fiscal Year	**Employer Contribution Rate**[1]
2019-20	17.10%
2020-21	18.40
2021-22	18.30
2022-23	18.10

(1) Expressed as a percentage of covered payroll.
Source: AB 1469

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, the District is required to contribute an amount based on an actuarially determined employer rate. The District's employer contributions to PERS for recent fiscal years are set forth in the following table.

LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
PERS Contributions
Fiscal Years 2015-16 through 2019-20 (Projected)

Fiscal Year	Amount
2015-16	$389,557
2016-17	389,557
2017-18	781,541
2018-19 (1)	1,011,117
2019-20 (2)	1,253,759

(1) Estimated Actuals.
(2) Budgeted
Source: Lammersville Joint Unified School District

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately $27.2 billion as of June 30, 2018 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

PERS Discount Rate
Fiscal Years 2018-19 through 2020-21

Fiscal Year	Amount
2018-19	7.375%
2019-20	7.250
2020-21	7.000

Source: PERS.

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, will be implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 11.847%, 13.888%, 15.531%, and 18.062% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

Employer Contribution Rates (PERS)
Fiscal Years 2019-20 through 2022-23(1)

Fiscal Year	Employer Contribution Rate(2)
2019-20	19.721%
2020-21	22.900
2021-22	24.900
2022-23	25.300

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.
(2) Expressed as a percentage of covered payroll.
Source: PERS

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information. Additional information regarding the District's retirement programs is available in Note 12 to the District's audited financial statements attached to the Official Statement as APPENDIX C. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Other Post-employment Benefits

The Plan Generally. The District offers a post-employment benefits plan (the **"Plan"**). The Plan is a single-employer defined benefit healthcare plan including medical, dental and vision benefits for the following groups of employees:

	Governing Board	Represented Certificated	Represented Classified	Unrepresented Non-Mgmt	Unrepresented Management
Benefit types provided	Medical/Dental/ Vision	Medical/Dental/ Vision	Medical/Dental/ Vision	Medical/Dental/Vi sion	Medical/Dental/Vi sion
Duration of benefits	To age 65	To age 65	To age 65	To age 65	To age 65
Required Service	12 years	12 years	15 years	12 years (assumed)	12 years (assumed)
Minimum age	None	55	55	55	55
Dependent coverage	None	None	None	None	None
District contribution %	0%	See Vesting Table	70% of active cap	100% (assumed)	100% (assumed)
District cap for actives	None	$12,492 per year	$10,293 per year	$13,746 per year	$15,300 per year
District cap for retirees	$0	Vested % of active cap	$7,205 per year	$13,746 per year	$15,300 per year

Source: Lammersville Joint Unified School District Audit Report.

As of June 30, 2018, the Plan membership consists of 2 retirees and beneficiaries and 431 active plan members.

Contributions. The District contributions to the Plan occur as benefits and are paid to or on behalf of retirees. Benefit payments may occur in the form of direct payments for premiums and taxes ("explicit subsidies") and/or indirect payments to retirees in the form of higher premiums or active employees ("implicit subsidies"). The District made employer contributions in the form of direct benefit payments of $42,008 with an implicit contribution of $17,367 totaling $59,375 employer contribution for fiscal year end.

Actuarial Assumptions and Other Inputs. The District's total OPEB liability of $3,593,202 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: discount rate of 3.13%, salary increases 3.25% per year, assumed wage inflation of 3.00% component of assumed salary increases, and healthcare cost trend rates 7.50% effective January 1, 2019, and grade down to 5.00% for years 2024 and thereafter.

Demographic actuarial assumptions used in this valuation are those used in the June 30, 2016, valuation of the retirement plans covering District employees. For CalPERS members, the assumptions are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011; mortality rates used were those published by

CalPERS. For CalSTRS members, the assumptions are based on the June 30, 2011 CalSTRS experience study report.

Changes in OPEB Liability of the District. The changes in OPEB liability of the District as of June 30, 2018, is shown in the following table:

Changes in Total OPEB Liability
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT

	Total OPEB Liability
Service Cost	$811,413
Interest	99,848
Change of Assumptions	(197,055)
Benefit payments	(70,546)
Net changes	643,660
Balance at June 30, 2017	2,949,542
Balance at June 30, 2018	$3,593,202

Source: Lammersville Joint Unified School District Audit Report.

OPEB Expense. For the year ended June 30, 2018, the District recognized an OPEB expense of $893,524.

For more information regarding the District's OPEB and assumptions used in its most recent actuarial study, see Note 10 of APPENDIX B to the Official Statement.

STATE FUNDING OF EDUCATION AND RECENT STATE BUDGETS

State Funding of Education

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. School districts in California receive operating income primarily from two sources: (1) the State funded portion which is derived from the State's general fund, and (2) a locally funded portion, being a district's share of the 1% general *ad valorem* tax levy authorized by the California Constitution (see "DISTRICT FINANCIAL INFORMATION – Education Funding Generally" above). School districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. None of the District, the Underwriter or the County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each House of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

Certain information about the State budgeting process and the State budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

- The California State Treasurer internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State budget, past State budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State budgets.

- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques*.* Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2019-20 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

2019-20 State Budget

On June 27, 2019, the Governor signed the 2019-20 State budget (the "**2019-20 State Budget**") into law. The 2019-20 State Budget calls for total spending of $214.8 billion, with $147.9 billion in general fund spending. The 2019-20 State Budget provides for $81.1 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of $2.7 billion, or 3.4%, from the 2018-19 State budget. Of that $81.1 billion, $62.9 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2019-20, restoring every school district in the State to at least pre-recession funding levels.

The 2019-20 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to $16.5 billion by the end of the budget year. Additionally, revenues have been set aside in new savings funds, including a $900 million reserve for safety net programs. Other significant features of the 2019-20 State Budget include:

- $1.5 billion anticipated in Proposition 51 bond funds for school facilities and an additional $1.2 million of ongoing Proposition 51 bond funds;

- $5 million one-time funding for a long-term strategic plan to provide childcare and preschool for children from birth through age twelve;

- $300 million one-time funding to construct new or retrofit existing facilities to support full-day kindergarten programs;

- $645.3 million ongoing funding for special education, including $152.6 million to provide all Special Education Loan Plan Areas with at least the statewide target rate for base special education funding.

- $147.4 million one-time and ongoing funding to address the shortage of teachers;

- $918 million in additional funding to identify and implement recommendations and solutions to reduce wildfire risk, bolster the state's emergency preparedness capacity and protect vulnerable communities;

- $518,000 one-time funding to reimburse cities, counties and special districts for 2018-2019 property tax losses and a corresponding $530,000 that will be used to backfill property tax revenue losses for K-14 schools in those cities, counties and districts;

- $460 million one-time general funding to increase the quality and availability of child care, including $263 million for child care and preschool facilities expansion and $195 million for childcare and preschool workforce development;

- one-time funding of $750 million to support local governments in increasing and accelerating housing production; and one-time funding of $650 million to support local governments in addressing homelessness, to be used for emergency shelters and navigation centers, rapid rehousing, permanent supportive housing, job programs and hotel/motel conversions.

Disclaimer Regarding State Budgets. The implementation of the foregoing 2019-20 Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2019-20 Proposed Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the sources of information listed below are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of State budget information set forth or referred to or incorporated in this Official Statement.

Availability of State Budgets. The complete 2019-20 State Budget is available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Bonds.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures, or possible future budget deficits. Future State budgets will be affected by national and State economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its own budgets.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

TAXATION AND APPROPRIATIONS

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state assessed public utilities' property and real property, the taxes on which create a lien on such property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Counties.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

The 2019 Bonds are payable from the District's general fund, and are not secured by *ad valorem* property taxes. See "SECURITY FOR THE 2019 BONDS."

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties of the State based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuations

Assessed Valuation History. The table following shows a recent history of the assessed valuation of property within the District's boundaries.

TABLE 6
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2012-13 through 2018-19

San Joaquin County Portion

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2012-13	$1,952,078,078	$187,962,973	$94,544,673	$2,234,585,724	--
2013-14	2,131,376,718	267,977,721	68,555,247	2,467,909,686	10.4%
2014-15	2,600,541,690	210,277,721	70,910,914	2,881,730,325	16.8
2015-16	2,846,670,133	195,071,721	81,589,287	3,123,331,141	8.4
2016-17	3,193,608,899	279,164,858	81,100,956	3,553,874,713	13.8
2017-18	3,489,267,338	219,064,858	170,123,624	3,878,455,820	9.1
2018-19	3,897,094,880	193,564,858	170,001,221	4,260,660,959	9.9

Alameda County Portion

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2012-13	$48,217,023	$132,991,856	$17,227,966	$198,436,845	--
2013-14	46,035,686	188,991,856	18,216,336	253,243,878	27.6%
2014-15	47,946,392	168,675,368	21,436,915	238,058,675	(0.6)
2015-16	51,118,302	168,675,368	18,210,606	238,004,276	(0.1)
2016-17	52,822,784	155,275,368	124,611,916 (1)	332,710,068	39.8
2017-18	55,542,031	132,525,368	121,032,349	309,099,748	(7.1)
2018-19	56,538,946	119,525,368	196,529,394	372,593,708	20.5

Total District

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2012-13	$2,000,295,101	$320,954,829	$111,772,639	$2,433,022,569	--
2013-14	2,177,412,404	456,969,577	86,771,583	2,721,153,564	11.8%
2014-15	2,648,488,082	378,953,089	92,347,829	3,119,789,000	14.7
2015-16	2,897,788,435	363,747,089	99,799,893	3,361,335,417	7.7
2016-17	3,246,431,683	434,440,226	205,712,872	3,886,584,781	15.6
2017-18	3,544,809,369	351,590,226	291,155,973	4,187,555,568	7.7
2018-19	3,953,633,826	313,090,226	366,530,615	4,633,254,667	10.6

(1) Increase in unsecured assessed valuation attributable to the purchase of wind power by Google to power its Mountain View offices with wind power generated by the Altamont Pass wind farm.
Source: California Municipal Statistics, Inc.

As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation may result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and natural disasters such as earthquakes, fires, floods and droughts.

Notable natural disasters in recent years include drought conditions throughout the State, and wildfires in different regions of the State, which damaged and destroyed thousands of homes.

Assessed Valuation by Land Use. The property in the District is largely residential, with approximately 70.24% of secured assessed valuation of property in the District used for residential purposes, and approximately 93.82% of all taxable parcels used for residential purposes. The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2018-19.

TABLE 7
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2018-19

Non-Residential:	2018-19 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total	No. of Taxable Parcels	% of Total
Agricultural	$ 24,015,036	0.56%	150	2.06%	143	2.01%
Commercial	8,546,424	0.20	6	0.08	6	0.08
Vacant Commercial	41,194,459	0.97	39	0.54	37	0.52
Industrial	801,919,740	18.79	77	1.06	77	1.08
Vacant Industrial	72,965,082	1.71	47	0.65	47	0.66
Utilities/Power Plants	313,090,226	7.34	15	0.21	15	0.21
Recreational	2,278,056	0.05	8	0.11	8	0.11
Government/Social/Institutional	3,175,147	0.07	133	1.83	22	0.31
Miscellaneous	2,574,085	0.06	85	1.17	85	1.19
Subtotal Non-Residential	$1,269,758,255	29.76%	560	7.69%	440	6.18%
Residential:						
Single Family Residence	$2,488,218,398	58.32%	5,062	69.55%	5,062	71.16%
Condominium/Townhouse	69,733,415	1.63	250	3.44	250	3.51
Rural Residential	53,116,891	1.24	149	2.05	149	2.09
2+ Residential Units/Apartments	7,450,938	0.17	15	0.21	15	0.21
Vacant Residential	378,446,155	8.87	1,242	17.07	1,198	16.84
Subtotal Residential	$2,996,965,797	70.24%	6,718	92.31%	6,674	93.82%
Total	$4,266,724,052	100.00%	7,278	100.00%	7,114	100.00%

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

Assessed Value by Jurisdiction. The following table shows the assessed valuation of local secured property within the District by jurisdiction for fiscal year 2018-19.

TABLE 8
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2018-19

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Tracy	$ 438,582,332	9.47%	$10,984,229,294	3.99%
Unincorporated San Joaquin County	3,822,078,627	82.49	$20,956,530,745	18.24%
Unincorporated Alameda County	372,593,708	8.04	$19,450,713,931	1.92%
Total District	$4,633,254,667	100.00%		
Summary by County:				
San Joaquin County	$4,260,660,959	91.96%	$74,265,401,243	5.74%
Alameda County	372,593,708	8.04	$289,798,647,442	0.13%
Total District	$4,633,254,667	100.00%		

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. Within the residential segment of land uses, the vast majority of residential units are single-family homes. The following table shows a breakdown of assessed valuation of single-family homes on a per parcel basis for fiscal year 2018-19, including the median and average assessed value per parcel.

TABLE 9
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2018-19

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	5,062	$2,488,218,398	$491,548	$487,135

2018-19 Assessed Valuation	No. of Parcels [(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	1	0.020%	0.020%	$ 31,143	0.001%	0.001%
$50,000 - $99,999	6	0.119	0.138	520,363	0.021	0.022
$100,000 - $149,999	20	0.395	0.533	2,691,103	0.108	0.130
$150,000 - $199,999	30	0.593	1.126	5,400,438	0.217	0.347
$200,000 - $249,999	65	1.284	2.410	14,977,691	0.602	0.949
$250,000 - $299,999	278	5.492	7.902	77,718,134	3.123	4.073
$300,000 - $349,999	393	7.764	15.666	128,568,591	5.167	9.240
$350,000 - $399,999	593	11.715	27.380	222,807,921	8.955	18.194
$400,000 - $449,999	585	11.557	38.937	249,545,967	10.029	28.223
$450,000 - $499,999	729	14.401	53.339	346,103,136	13.910	42.133
$500,000 - $549,999	635	12.544	65.883	333,145,965	13.389	55.522
$550,000 - $599,999	558	11.023	76.906	320,667,571	12.887	68.410
$600,000 - $649,999	476	9.403	86.310	296,355,955	11.910	80.320
$650,000 - $699,999	375	7.408	93.718	252,162,899	10.134	90.454
$700,000 - $749,999	201	3.971	97.689	144,550,702	5.809	96.264
$750,000 - $799,999	78	1.541	99.230	60,020,871	2.412	98.676
$800,000 - $849,999	27	0.533	99.763	22,137,610	0.890	99.565
$850,000 - $899,999	7	0.138	99.901	6,144,908	0.247	99.812
$900,000 - $949,999	3	0.059	99.960	2,765,420	0.111	99.924
$950,000 - $999,999	2	0.040	100.000	1,902,010	0.076	100.000
$1,000,000 and greater	0	0.000	100.000	0	0.000	100.000
Total	5,062	100.000%		$2,488,218,398	100.000%	

Source: California Municipal Statistics, Inc.

Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" in Appendix A.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

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

Proposition 8 reductions may also be unilaterally applied by county assessors. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by county assessors.

Typical Tax Rates

Below are historical typical tax rates in two typical tax rate areas within the District for fiscal years 2014-15 through 2018-19.

TABLE 10
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Typical Tax Rates per $100 of Assessed Valuation
TRA 92-018 - Unincorporated San Joaquin County (1)

	2014-15	2015-16	2016-17	2017-18	2018-19
General Tax Rate	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
Lammersville Joint Unified School District	--	--	--	.053400	.055000
San Joaquin Delta Community College District	.023300	.019800	.018000	.018000	.022500
Tracy-Lammersville Unified School District	.021300	.020100	.018500	.017200	.016200
Total Tax Rate	$1.044600	$1.039900	$1.036500	$1.088600	$1.093700

TRA 70-001: Unincorporated Alameda County (2)

	2014-15	2015-16	2016-17	2017-18	2018-19
General Tax Rate	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
Alameda County	--	--	--	--	.011200
Lammersville Joint Unified School District	--	--	--	.053400	.055000
San Joaquin Delta Community College District	.023300	.019800	.018000	.018000	.022500
Tracy-Lammersville Unified School District	.021300	.020100	.018500	.017200	.016200
State Water Project, Flood Zone 7	.025000	.034300	.033300	.035900	.033200
Bay Area Rapid Transit District	.004500	.002600	.008000	.008400	.007000
Total Tax Rate	$1.074100	$1.076800	$1.077800	$1.132900	$1.145100

(1) 2018-19 assessed valuation in TRA 92-018: $2,567,587,846.
(2) 2018-19 assessed valuation in TRA 70-001: $237,916,146.
Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies; Teeter Plan

San Joaquin County. The Board of Supervisors of San Joaquin County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in San Joaquin County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in San Joaquin County's Teeter Plan, and thus receives 100% of secured property taxes levied in San Joaquin County in exchange for foregoing any interest and penalties collected on delinquent taxes in San Joaquin County. So long as the Teeter Plan remains in effect in San Joaquin County, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by San Joaquin County.

However, under the statute creating the Teeter Plan, the Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to San Joaquin County and, in addition, the Board of Supervisors can terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad* *valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

Certain Risks Associated with Teeter Plan. The current practice of San Joaquin County under the Teeter Plan is to provide 100% of the *ad valorem* taxes payable annually to the District in connection with general obligation bond indebtedness and to retain any penalties or delinquencies collected to offset such gross payment. *There can be no assurances that San Joaquin County will continue this practice in the future, or that San Joaquin County will not discontinue the Teeter Plan or remove the District from the Teeter Plan in the future.*

On September 13, 2011, the San Joaquin County Auditor-Controller recommended to the San Joaquin County Board of Supervisors that all direct assessments be removed from the Teeter Plan for fiscal year 2011-12 and thereafter. The San Joaquin County Auditor-Controller's recommendation did not apply to the collection of *ad valorem* taxes levied to pay general obligation bonds. The San Joaquin County Board of Supervisors, at its September 13, 2011 meeting, postponed making a decision on the San Joaquin County Auditor-Controller's recommendation and directed the San Joaquin County Auditor-Controller to work with appropriate San Joaquin County officials and staff to recommend the appropriate method of removing direct assessments from the Teeter Plan. After discussions and surveys of the affected agencies and meetings with San Joaquin County officials and staff, the San Joaquin County Auditor-Controller recommended to the San Joaquin County Board of Supervisors at its June 26, 2012 meeting to remove code enforcement/civil penalties/administrative citation direct assessments, the City of Lathrop's Community Facilities District (CFD) 2006-1, and the non-public safety portion of the City of Lathrop's Community Facilities District 2006-2 from the Teeter Plan. The District is not aware of any further changes to the Teeter Plan at this time.

Alameda County. For the District's share of the 1% general fund apportionment, Alameda County has adopted the Teeter Plan. However, the County does <u>not</u> participate in the Teeter Plan with respect to tax levies for general obligation or special tax bonds, secured property taxes actually collected for such purpose are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when such secured property taxes are actually collected. As a consequence, the District's receipt of taxes levied for its general obligation bonds, including the Bonds, is subject to delinquencies, as shown in the table above.

Secured Tax Charges and Delinquencies. Notwithstanding that the taxes levied on property in the District located in San Joaquin County are covered by the Teeter Plan, the following table shows a five-year history of secured tax charges and delinquencies in the District with respect to levies in San Joaquin County.

TABLE 11
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
(San Joaquin County Portion Only) (1)
2014-15 through 2017-18

	Secured Tax Charge (1)	Amt. Del. June 30	% Del. June 30
2014-15	$5,186,494.18	$70,638.27	1.36%
2015-16	5,672,750.30	68,185.36	1.20
2016-17	6,534,892.50	87,508.59	1.34
2017-18	7,116,376.64	79,737.79	1.12

(1)1% General Fund apportionment.
Source: California Municipal Statistics, Inc.

The following table shows a five-year history of secured tax charges and delinquencies in the District in Alameda County, which are not covered by the Teeter Plan.

TABLE 12
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
(Alameda County Portion Only) (1)
2014-15 through 2017-18

	Secured Tax Charge (1)	Amt. Del. June 30	% Del. June 30
2014-15	$170,545.29	$1,764.48	1.03%
2015-16	170,199.15	2,081.18	1.22
2016-17	261,826.67	2,786.94	1.06
2017-18	245,484.39	2,103.24	0.86

(1) 1% General Fund apportionment.
Source: California Municipal Statistics, Inc.

Major Taxpayers

The following table shows the 20 largest taxpayers in the District as determined by local secured assessed valuation in fiscal year 2018-19. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

TABLE 13
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Largest Fiscal Year 2018-19 Local Secured Taxpayers

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total (1)
1.	Shea Homes LP / Shea Mountainhouse	Residential Development	$ 200,964,431	4.71%
2.	AltaGas San Joaquin Energy Inc.	Power Plant	191,900,000	4.50
3.	Prologis LP	Warehouse	182,813,785	4.28
4.	Costco Wholesale Corp.	Food Processing	169,660,286	3.98
5.	Safeway Inc.	Warehouse	147,126,997	3.45
6.	Mariposa Energy LLC	Power Plant	119,500,000	2.80
7.	Owens Brockway Glass Container	Industrial	103,373,020	2.42
8.	Fedex Ground Package System Inc.	Warehouse	90,631,172	2.12
9.	Medline Cordes Ranch Eat LLC	Warehouse	63,156,058	1.48
10.	First Industrial Pennsylvania LP	Industrial	43,471,747	1.02
11.	Tri Pointe Homes Inc.	Residential Development	28,230,470	0.66
12.	Meritage Homes of California Inc.	Residential Development	28,201,051	0.66
13.	Arroyo Cap I LLC	Residential Development	25,632,395	0.60
14.	Mountain House Investors LLC	Residential Development	22,526,590	0.53
15.	United Facilities Inc.	Warehouse	21,335,708	0.50
16.	CLPF Patterson Pass 8 & 10 LP	Warehouse	20,935,506	0.49
17.	Trimark Communities LLC	Residential Development	18,017,774	0.42
18.	Maninder Sandhu	Undeveloped	12,670,109	0.30
19.	BMCH California LLC	Residential Development	12,367,605	0.29
20.	Rosebrook 58 LLC	Undeveloped	7,921,955	0.19
			$1,510,436,659	35.40%

(1) 2018-19 total secured assessed valuation: $4,266,724,052.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc., dated as of June 1, 2019. The Debt Report is included for general information purposes only. Neither the District nor the Underwriter has reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

TABLE 14
LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of June 1, 2019

2018-19 Assessed Valuation: $4,663,254,667

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/19
Alameda County	0.129%	$ 309,600
Bay Area Rapid Transit District	0.050	404,830
San Joaquin Delta Community College District	5.710	11,332,923
Tracy-Lammersville Unified School District	25.996	9,475,542
Lammersville Joint Unified School District	**100.000**	**56,000,000**
Lammersville School District Community Facilities District No. 2002	100.000	65,460,000
Lammersville School District Community Facilities District No. 2007-1 I.A. 1	100.000	24,240,000
Lammersville School District Community Facilities District No. 2014-1	100.000	50,635,000
California Statewide Communities Development Authority 1915 Act Bonds	100.000	6,734,201
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$224,592,096
OVERLAPPING GENERAL FUND DEBT: (1)		
San Joaquin County Certificates of Participation	5.737%	$4,650,986
Alameda County General Fund Obligations	0.129	1,120,529
City of Tracy General Fund Obligations	3.993	851,108
TOTAL OVERLAPPING GENERAL FUND DEBT		$6,622,623
COMBINED TOTAL DEBT		**$231,214,719**(2)

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($56,000,000).. 1.21%
Total Direct and Overlapping Tax and Assessment Debt... 4.85%
Combined Total Debt... 4.99%

(1) Excludes the 2019 Bonds offered for sale hereunder.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The constitutional and statutory provisions discussed in this section have the potential to affect the ability of the District to levy taxes and spend tax proceeds for operating and other purposes.

Article XIIIA of the State Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIIIA to the State Constitution. Article XIIIA, as amended, limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service (i) on indebtedness approved by the voters prior to July 1, 1978, (ii) on bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on 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 has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent 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.

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 one percent 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 two percent 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.

All taxable property is shown at full market value on the tax rolls. Consequently, 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 percent of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the State Constitution

In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIIIB which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIIIB also does not limit appropriation of local revenues to pay debt service on Bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years.

If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

The District has never exceeded its appropriations limit.

Articles XIIIC and XIIID of the State Constitution

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the District to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article

XIIIC define "taxes" that are subject to voter approval as "any levy, charge, or exaction of any kind imposed by a local government," with certain exceptions.

Taxes. Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the District ("general taxes") require a majority vote; taxes for specific purposes ("special taxes"), even if deposited in the District's General Fund, require a two-thirds vote.

Property-Related Fees and Charges. Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs.

Reduction or Repeal of Taxes, Assessments, Fees and Charges. Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the District will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the District's General Fund. If such repeal or reduction occurs, the District's ability to pay debt service on the Bonds could be adversely affected.

Burden of Proof. Article XIIIC provides that local government "bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity." Similarly, Article XIIID provides that in "any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance" with Article XIIID.

Judicial Interpretation of Proposition 218. The interpretation and application of Articles XIIIC and XIIID will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

Impact on District's General Fund. The District does not believe that any material source of General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

The approval requirements of Articles XIIIC and XIIID reduce the flexibility of the District to raise revenues for the General Fund, and no assurance can be given that the District will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 1A; Proposition 22

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

Proposition 22. Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Possible Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 62, 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 revenues of the District or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2019 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2019 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2019 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2019 Bonds. There can be no assurance that other considerations will not materialize in the future.

No Pledge of Taxes

The obligation of the District to pay the Lease Payments and Additional Rental does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay Lease Payments and Additional Rental does not constitute a debt or indebtedness of the Authority, the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The District is currently liable on other obligations payable from general revenues, which are described above under "DISTRICT FINANCIAL INFORMATION – Long-Term Obligations."

Uncertainty of Funding Sources

The District expects to receive the Long-Term Construction Funding between fiscal year 2022-23 and 2024-25. Under the Indenture, beginning in 2025, if the District has not been able to prepay the Lease Payments in full with Long-Term Construction Funding, the District will be required to make the Lease Payments from any available source of funding, and primarily from its general fund. While the District projects that it will be able to make the Lease Payments from its general fund, such reallocation of funds could prevent the District from providing certain services to its students and community.

Limitations on Taxes and Fees

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the District could be subject to the voter approval requirements of Article XIIIC and Article XIIID of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The District has assessed the potential impact on its financial condition of the provisions of Article XIIIC and Article XIIID of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the District believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIIIC and Article XIIID of the State Constitution are eliminated or substantially reduced, the financial condition of the District, including its general fund, could be materially adversely affected.

Although the District does not currently anticipate that the provisions of Article XIIIC and Article XIIID of the State Constitution would adversely affect its ability to pay Lease Payments and its other obligations payable from the general fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIIIC and Article XIIID of the State Constitution on the District's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Additional Obligations of the District

The District is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the 2019 Bonds. To the extent that additional obligations are incurred by the District, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the District. If the amounts that the District is obligated to pay in a fiscal year exceed the District's revenues for such year, the District may choose to make some payments rather than making other payments, including Lease Payments and Additional Rental, based on the perceived needs of the District. The same result could occur if, because of California Constitutional limits on expenditures, the District is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

Default; No Acceleration

Whenever any event of default referred to in the Lease happens and continues, the Authority is authorized under the terms of the Lease to exercise any and all remedies available under law or granted under the Lease. See "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a detailed description of available remedies in the case of a default under the Lease.

If a default occurs, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease. The Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the 2019 Bonds or pay debt service on the 2019 Bonds.

The District will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Abatement

Under certain circumstances related to damage, destruction, condemnation or title defects which cause a substantial interference with the use and possession of the Leased Property, the District's obligation to make Lease Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest on the 2019 Bonds as and when due. See "SECURITY FOR THE 2019 BONDS – Abatement" and "APPENDIX B – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Although the District is required under the Lease to maintain property and liability insurance with respect to the Leased Property, the required insurance coverage is subject to certain conditions and restrictions. See "SECURITY FOR THE 2019 BONDS – Property Insurance."

In addition, the Authority is required to use the proceeds of rental interruption insurance maintained under the Lease to make debt service payments on the 2019 Bonds during any period of abatement. See "SECURITY FOR THE 2019 BONDS – Property Insurance." However, there is no assurance that the Authority will receive proceeds of rental interruption insurance in time to make debt service payments on the 2019 Bonds when due.

Property Taxes

Levy and Collection. The District does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the District's property tax revenues, and accordingly, could have an adverse impact on the ability of the District to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the District's ability to pay principal of and interest on the 2019 Bonds when due.

Reduction in Inflationary Rate. Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining assessed 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. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

The District is unable to predict if any adjustments to the full cash value base of real property within the District, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the District would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Proposition 8 reductions may be unilaterally applied by the County Assessor, including across properties as a 'blanket' reduction. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, could adversely affect the ability of the District to pay the Lease Payments.

No assurance can be given that property tax appeals in the future will not significantly reduce the District's property tax revenues.

Natural Calamities

From time to time, the District is subject to natural calamities, including, but not limited to, earthquake, flood or wildfire, that may adversely affect activity in the District, and which could have a negative impact on District finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to the Leased Property, or that the District would have insurance or other resources available to make repairs to the Leased Property in order to make Lease Payments under the Lease. See "- Abatement" above.

Cyber Security

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The District has never had a major cyber breach that resulted in a financial loss. The District maintains insurance coverage for cyber security losses should a successful breach ever occur.

No assurance can be given that the District's efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the District. The District is also reliant on other entities and service providers, such as the County Treasurer for the maintenance and investment of its funds, including the revenues securing the 2019 Bonds. No assurance can be given that the District will not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Bond owners.

Limitations on Remedies Available to Bond Owners

The ability of the District to comply with its covenants under the Lease may be adversely affected by actions and events outside of the control of the District, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" above. Furthermore, any remedies available to the owners of the 2019 Bonds upon the occurrence of an event of default under the Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondowner remedies contained in the Lease and the Indenture, the rights and obligations under the 2019 Bonds, the Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2019 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The opinion to be delivered by Bond Counsel, concurrently with the issuance of the 2019 Bonds, will include a qualification that the rights of the owners of the 2019 Bonds and the enforceability of the 2019 Bonds and the Indenture, the Lease and the Site Lease may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases. See "APPENDIX D — PROPOSED FORM OF OPINION OF BOND COUNSEL."

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2019 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2019 Bonds were issued, as a result of future acts or omissions of the Authority or the District in violation of their respective covenants in the Lease and the Indenture. Should such an event of taxability occur, the 2019 Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2019 Bonds or, if a secondary market exists, that any 2019 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

Existing and Future Parity Obligations

As described in "SECURITY FOR THE 2019 BONDS - Additional Bonds" above, the Indenture permits the Authority to issue Additional Bonds, its obligations under which would be payable from Revenues on a parity with the payment of debt service on the 2019 Bonds.

BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement. No representation is made as to the accuracy or completeness of this information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to APPENDIX G for a specimen of the Policy.

Bond Insurance Policy

Concurrently with the issuance of the 2019 Bonds, Build America Mutual Assurance Company ("**BAM**" or the **"Bond Insurer"**) will issue a Municipal Bond Insurance Policy (the **"Policy"**) for the 2019 Bonds. The Policy guarantees the scheduled payment of principal of and interest on the 2019 Bonds when due as set forth in the form of the Policy included as APPENDIX G to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

BAM's financial strength is rated "AA" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the 2019 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the 2019 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the 2019 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the 2019 Bonds, nor does it guarantee that the rating on the 2019 Bonds will not be revised or withdrawn.

Capitalization of the Bond Insurer. BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2019, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $525 million, $114 million and $411 million, respectively.

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

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

BAM makes no representation regarding the 2019 Bonds or the advisability of investing in the 2019 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from the Bond Insurer

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the 2019 Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the 2019 bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the 2019 bonds, whether at the initial offering or otherwise.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2019 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the 2019 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the District have made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2019 Bonds.

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

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2019 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2019 Bonds who purchase the 2019 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2019 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2019 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2019 Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium 2019 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2019 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2019 Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2019 Bonds to be subject, directly or indirectly, 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, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2019 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2019 Bonds, or as to the consequences of owning or receiving interest on the 2019 Bonds, as of any future date. Prospective purchasers of the 2019 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2019 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2019 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2019 Bonds, the ownership, sale or disposition of the 2019 Bonds, or the amount, accrual or receipt of interest on the 2019 Bonds.

Form of Opinion. Copies of the proposed forms of opinion of Bond Counsel are attached hereto as APPENDIX D.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the 2019 Bonds, the form of which is set forth in APPENDIX D." Certain legal matters will also be passed upon for the District and the Authority by Jones Hall, as Disclosure Counsel.

LITIGATION

To the best knowledge of the District, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the District or, to the knowledge of the District, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease, the Site Lease or the Indenture, or upon the financial condition, assets, properties or operations of the District, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Lease, the Site Lease or the Indenture, or the financial conditions, assets, properties or operations of the District, including but not limited to the payment and performance of the District's obligations under the Lease.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), is expected to assign its rating of "AA" to the 2019 Bonds, based on the understanding that the Bond Insurer will deliver its Bond Insurance Policy with respect to the 2019 Bonds upon delivery.

In addition, Moody's Investors Services ("**Moody's**"), has assigned an underlying municipal bond rating of "A2" to the 2019 Bonds.

These ratings reflect only the views of S&P and Moody's, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from S&P and Moody's, respectively. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The District has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement).

There are no assurances that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the 2019 Bonds may have an adverse effect on the market price or marketability of the 2019 Bonds.

CONTINUING DISCLOSURE

The District will covenant for the benefit of owners of the 2019 Bonds to provide certain financial information and operating data relating to the District (the "**Annual Report**"), by not later than eight months after the end of the District's fiscal year (presently June 30) and commencing March 1, 2020 with the report for the fiscal year ending June 30, 2019, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the purchaser of the 2019 Bonds in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in "APPENDIX E — FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of bonds issued by the District and by community facilities districts within the District. See "DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations" for additional information.

To assist the District to comply with its continuing disclosure undertakings, including the undertaking for the 2019 Bonds, the District has engaged Goodwin Consulting Group to serve as its dissemination agent with respect to the Continuing Disclosure Certificate to be executed in connection with the 2019 Bonds. To further ensure such compliance, the District has adopted policies and procedures related thereto.

MUNICIPAL ADVISOR

The District and the Authority have retained California Financial Services, Ladera Ranch, California, as municipal advisor to the Authority and the District (the "**Municipal Advisor**") in connection with the offering of the 2019 Bonds and the preparation of this Official Statement. The Municipal Advisor assisted in the preparation and review of this Official Statement. All financial and other information presented in this Official Statement has been provided by the District and the Authority from their records, except for information expressly attributed to other sources. The Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the District, Authority or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

UNDERWRITING

The Authority and the District have entered into a Bond Purchase Agreement with Stifel, Nicolaus & Company, Incorporated (the **"Underwriter"**) under which the Underwriter has agreed, subject to certain conditions, to purchase the 2019 Bonds from the Authority at a price of $31,100,110.90 (being the principal amount of the 2019 Bonds, less an underwriter's discount of $203,450.00), plus net original issue premium of $3,560.90.

The Underwriter is obligated to purchase all of the 2019 Bonds if any are purchased. The 2019 Bonds may be offered and sold by the Underwriter to certain dealers and others at prices lower than the public offering prices, and the public offering prices may be changed, from time to time, by the Underwriter.

PROFESSIONAL SERVICES

In connection with the issuance of the 2019 Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the 2019 Bonds: Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel; California Financial Services, as Municipal Advisor; The Bank of New York Mellon Trust Company, N.A., as Trustee, and Kutak Rock LLP, Irvine, California, as counsel to the Underwriter.

EXECUTION

The execution of this Official Statement and its delivery have been authorized by the Board of the Authority and the District Board.

LAMMERSVILLE SCHOOLS FINANCE AUTHORITY

By: *_/s/ Matthew Balzarini_*
President

LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT

By: *_/s/ Dr. Kirk Nicolas_*
Superintendent

APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF TRACY AND SAN JOAQUIN COUNTY

*The following information concerning the City of Tracy (the "**City**") and San Joaquin County (the "**County**") are included only for the purpose of supplying general information regarding the community. The 2019 Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

Population

Population figures for the City, the County and the State for the last six years are shown in the following table.

CITY OF TRACY, SAN JOAQUIN COUNTY AND THE STATE OF CALIFORNIA
Population Estimates
Calendar Years 2014 through 2019 as of January 1

Calendar Year	City of Tracy	San Joaquin County	State of California
2014	85,404	713,315	38,622,301
2015	86,420	724,859	38,952,462
2016	87,829	736,027	39,214,803
2017	89,127	747,579	39,504,609
2018	90,832	757,279	39,740,508
2019	92,800	770,385	39,927,315

Source: State Department of Finance

Employment and Industry

The Community Facilities District is included in the Stockton Metropolitan Statistical Area ("**MSA**"), which includes all of San Joaquin County. The unemployment rate in the County was 6.0% in April 2019, down from a revised 7.2% in March 2019, and below the year-ago estimate of 6.1%. This compares with an unadjusted unemployment rate of 3.9% for the State and 3.3% for the nation during the same period.

Set forth below is data from calendar years 2014 to 2018 reflecting the County's civilian labor force, employment and unemployment. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the Community Facilities District.

STOCKTON-LODI MSA
(San Joaquin County)
Annual Average Labor Force and Employment by Industry
Calendar Years 2014 through 2018
(March 2018 Benchmark)

	2014	**2015**	**2016**	**2017**	**2018**
Civilian Labor Force (1)	312,000	314,600	318,500	323,600	326,400
Employment	279,200	286,600	292,600	301,100	306,800
Unemployment	32,900	28,000	25,900	22,600	19,600
Unemployment Rate	10.5%	8.9%	8.1%	7.0%	6.0%
Wage and Salary Employment: (2)					
Agriculture	15,700	16,700	16,600	16,300	16,100
Mining and Logging	100	100	100	100	100
Construction	8,900	10,100	11,100	11,700	12,700
Manufacturing	18,600	18,700	18,900	19,400	19,700
Wholesale Trade	11,000	11,300	11,600	12,000	12,600
Retail Trade	25,700	26,000	26,500	26,800	26,600
Transportation, Warehousing and Utilities	18,300	20,400	23,600	26,700	28,400
Information	2,100	1,900	2,000	1,800	1,800
Financial Activities	7,500	7,400	7,500	7,800	8,100
Professional and Business Services	18,300	19,400	19,600	19,200	19,600
Educational and Health Services	35,900	36,500	36,400	38,200	38,500
Leisure and Hospitality	19,100	19,700	20,500	21,500	22,000
Other Services	6,900	7,200	7,500	7,600	7,600
Federal Government	3,100	3,000	3,000	3,100	3,100
State Government	5,800	6,200	6,400	6,600	6,700
Local Government	29,600	30,400	31,400	32,800	33,700
Total All Industries (3)	226,700	234,900	242,600	251,600	257,300

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department

The following table lists the major employers within the County, listed in alphabetical order without regard to the number of employees, as of July 2019.

SAN JOAQUIN COUNTY
Major Employers
As of July 2019

Employer Name	Location	Industry
A Sambado & Sons Inc	Linden	Nuts-Edible
Amazon Corpnet	Tracy	Internet & Catalog Shopping
Amazon Fulfillment Ctr	Stockton	Mail Order Fulfillment Service
Blue Shield of California	Lodi	Insurance
Dameron Hospital Assn	Stockton	Hospitals
Deuel Vocational Institution	Tracy	City Govt-Correctional Institutions
Foster Care Svc	Stockton	Government Offices-County
Leprino Foods Co	Tracy	Cheese Processors (mfrs)
Lodi Health Home Health Agency	Lodi	Home Health Service
Lodi Memorial Hospital	Lodi	Hospitals
Morada Produce	Stockton	Fruits & Vegetables-Growers & Shippers
NA Chaderjian Youth	Stockton	State Govt-Correctional Institutions
O-G Packing & Cold Storage Co	Stockton	Fruits & Vegetables-Growers & Shippers
Pacific Coast Producers	Lodi	Canning (mfrs)
Prima Frutta Packing Inc	Linden	Fruit & Produce Packers
Safeway Distribution Ctr	Tracy	Distribution Centers (whls)
San Joaquin County Human Svc	Stockton	Government Offices-County
San Joaquin County Sch	Stockton	Schools
San Joaquin General Hospital	French Camp	Hospitals
San Joaquin Sheriff's Office	French Camp	Government Offices-County
Sjgov	Stockton	Government Offices-County
St Joseph's Cancer Ctr	Stockton	Cancer Treatment Centers
Stockton Unified School Dist	Stockton	School Districts
University of the Pacific	Stockton	Schools-Universities & Colleges Academic
Walmart Supercenter	Stockton	Department Stores

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition.

The following table lists the principal employers within the City, listed in order of number of employees, as of June 30, 2018.

CITY OF TRACY
Principal Employers
As of June 30, 2018

Employer Name	Number of Employees
Golden State FC LLC (Amazon)	4,589
Golden State FC LLC (Amazon)	997
Taylor Farms Pacific Inc.	996
Fedex Ground Package System	718
The Home Depot #5641	505
Medline Industries Inc.	481
Restoration Hardware	374
XPO Logistics Supply Chain, Inc.	350
Orchard Supply Hardware	303
Randstad Inhouse Services LLC	264
DHL Supply Chain	250
Select Staffing	240
Randstad Inhouse Service LP	208
Costco Wholesale	205
Ross Dress for Less Inc #1389	193
Pacific Medical Inc.	191
International Paper	190
Olive Garden #1582	186
Randstad Inhouse Service LP	186
The Home Depot #1020	182
Wal-Mart Stores Inc. #2025	175
DHL Supply Chain	168
Orchard Supply Company LLC	167
YRC	156
Safeway Inc. #2600	151

Source: City of Tracy Comprehensive Financial Report for fiscal year ended June 30, 2018.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data are available are shown in the following tables. Figures are yet not available for calendar year 2018.

Total taxable sales during the first quarter of calendar year 2018 in the City were $520,182,175, a 12.49% increase over the total taxable sales of $462,441,930 reported during the first quarter of calendar year 2017.

CITY OF TRACY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	972	$1,139,346	1,382	$1,339,394
2014	1,010	1,188,945	1,441	1,387,154
2015(1)	1,057	1,233,481	1,641	1,421,064
2016	1,088	1,280,961	1,715	1,536,172
2017	1,150	1,371,679	1,803	2,042,411

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

Total taxable sales during the first quarter of calendar year 2018 in the County were $3,019,083,970, a 10.74% increase over the total taxable sales of $2,726,400,144 reported during the first quarter of calendar year 2017.

SAN JOAQUIN COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	8,754	$6,519,537	12,752	$9,466,015
2014	8,900	6,780,160	12,865	10,031,845
2015(1)	4,958	6,986,878	14,255	10,467,214
2016	9,480	7,380,226	14,682	10,922,271
2017	9,506	7,994,473	14,758	12,153,268

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the median household effective buying income for the City, the County, the State and the United States for the period 2015 through 2019.

CITY OF TRACY AND SAN JOAQUIN COUNTY
Median Household Effective Buying Income
2015 through 2019

	2015	2016	2017	2018	2019
City of Tracy	$60,154	$64,225	$65,371	$68,295	$73,172
San Joaquin County	44,235	46,491	48,149	49,883	55,534
California	50,072	53,589	55,681	59,646	62,637
United States	45,448	46,738	48,043	50,735	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

Building Activity

The tables below summarize building activity in the City and the County for the past five available years.

CITY OF TRACY
Building Permit Activity
For Calendar Years 2013 through 2017
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$20,057.9	$44,538.3	$62,319.4	$87,820.2	$98,767.2
New Multi-family	0.0	0.0	0.0	34,038.7	9,686.4
Res. Alterations/Additions	1,402.9	44,884.6	5,381.8	2,281.9	2,989.3
Total Residential	$21,460.8	$89,422.9	$67,701.2	$124,140.8	$111,442.9
New Commercial	$2,378.8	$1,481.9	$113,546.0	$92,124.7	$184,438.3
New Industrial	0.0	809.6	49,162.0	57,441.7	38,978.1
New Other	4,395.6	2,426.4	12,340.6	11,375.8	4,769.2
Com. Alterations/Additions	18,458.5	18,846.3	127,941.0	138,604.1	93,059.7
Total Nonresidential	$25,232.9	$23,564.2	$302,989.6	$299,546.3	$321,246.3
New Dwelling Units					
Single Family	67	135	183	216	236
Multiple Family	0	0	0	432	65
TOTAL	67	135	183	648	301

Source: Construction Industry Research Board, Building Permit Summary.

SAN JOAQUIN COUNTY
Building Permit Activity
For Calendar Years 2013 through 2017
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$264,761.1	$318,760.2	$455,877.1	$467,494.7	$652,308.1
New Multi-family	7,601.9	4,726.9	48,792.9	66,794.5	62,635.8
Res. Alterations/Additions	28,764.8	78,511.0	42,764.8	99,049.9	86,516.1
Total Residential	$301,127.8	$401,998.1	$547,434.8	$633,339.1	$804,460.0
New Commercial	$158,299.3	$42,976.5	$177,272.0	$205,510.1	$357,856.9
New Industrial	1,141.9	29,357.4	85,322.6	61,687.0	179,728.4
New Other	21,462.7	41,819.6	44,373.1	42,074.7	27,794.7
Com. Alterations/Additions	79,145.2	89,630.8	193,659.3	298,721.9	269,172.8
Total Nonresidential	$260,049.1	$203,784.3	$500,627.0	$607,993.7	$834,552.8
New Dwelling Units					
Single Family	1,062	1,214	1,698	1,754	2,078
Multiple Family	74	19	387	550	516
TOTAL	1,136	1,233	2,085	2,304	2,594

Source: Construction Industry Research Board, Building Permit Summary.

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APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Site Lease, Lease Agreement and the Indenture of Trust relating to the Bonds. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.

DEFINITIONS

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

"Additional Bonds" means Additional Bonds issued in accordance with the Indenture.

"Additional Rental Payments" means the amounts of additional rental which are payable by the District under the Lease Agreement or which are otherwise identified as Additional Rental Payments under the Lease Agreement.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Fund" means the fund by that name established and held by the Trustee under the Indenture.

"Bond Insurance Policy" means the Municipal Bond Insurance Policy issued by the Bond Insurer with respect to the 2019 Bonds.

"Bond Insurer" means Build America Mutual Assurance Company, its successors and assigns, as issuer of the Bond Insurance Policy and the Reserve Policy.

"Bond Year" means each twelve-month period extending from October 2 in one calendar year to October 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including October 1, 2020.

"Bonds" means the 2019 Bonds and any Additional Bonds.

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located.

"Capitalized Interest Subaccount" means the subaccount of that name established and held by the Trustee under the Indenture.

"Closing Date" means the date of original issuance of the Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under the Indenture.

"District" means the Lammersville Joint Unified School District, a joint unified school district organized and existing under the Constitution and laws of the State of California.

"Federal Securities" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Indenture" or "Indenture of Trust" means the Indenture of Trust dated as of August 1, 2019, between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions thereof.

"Interest Account" means the account by that name established and held by the Trustee in the Bond Fund under the Indenture.

"Lease" or "Lease Agreement" means the Lease Agreement dated as of August 1, 2019, between the Authority as lessor and the District as lessee of the Leased Property, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture.

"Lease Payment Date" means, with respect to any Interest Payment Date, the Business Day which is five Business Days prior to such Interest Payment Date.

"Lease Payments" means the amounts payable by the District under the Lease Agreement as rental for the Leased Property, including any prepayment thereof and including any amounts payable upon a delinquency in the payment thereof, but excluding Additional Rental Payments.

"Leased Property" means the real property described in Appendix A to the Lease, together with all improvements and facilities at any time situated thereon.

"Net Proceeds" means amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or the proceeds of any taking of the Leased Property or portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

"Original Purchaser" means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the 2019 Bonds upon their delivery by the Trustee on the Closing Date.

"Outstanding", when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including Bonds (or portions thereof) described in the Indenture; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under the Indenture.

"Owner", when used with respect to any Bond, means the person in whose name the ownership of such Bond is registered on the Bond registration books of the Trustee.

"Permitted Encumbrances" means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may permit to remain unpaid under Article V of the Lease; (b) the Site Lease, the Lease and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, material man, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date and as of the date of the issuance of any Additional Bonds; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the District certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

"Permitted Investments" means any of the following:

(a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged.

(b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

(c) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.

(d) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation or secured at all times by collateral described in (a) or (b) above.

(e) Commercial paper rated, at the time of purchase, "A-1+" or better by S&P.

(f) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "A-1+" or better by S&P.

(g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services. Money market funds permitted under this paragraph shall not include funds with a floating net asset value.

(h) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).

(i) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of $500,000,000, which obligations are rated A or better by S&P.

(j) Bonds or notes issued by any state or municipality which are rated A or better by S&P.

(k) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event either of such ratings at any time falls below A.

(l) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Principal Account" means the account by that name established and held by the Trustee in the Bond Fund under the Indenture.

"Project" means the public capital improvements described in Appendix C attached to the Lease.

"Project Costs" means, with respect to the Project, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction and installation of the Improvements;

(b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Improvements;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Improvements;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Improvements;

(e) any sums required to reimburse the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Improvements;

(f) all Costs of Issuance of the Bonds and other financing costs incurred in connection with the acquisition, construction and installation of the Project; and

(g) the interest components of the Lease Payments allocable to the Project or any component thereof, which come due during the period of acquisition, construction and installation of the improvements or such component.

"Project Fund" means the fund by that name established and held by the Trustee under the Indenture.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P or "A" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P, or "A" from Moody's or, if not rated by S&P or Moody's but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; and (d) the Trustee is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the Bonds.

"Record Date" means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Reserve Account" means the account by that name established and held by the Trustee in the Bond Fund established under the Indenture.

"Reserve Account Agreement" means the Debt Service Reserve Agreement, dated the Closing Date, by and between the Authority and the Bond Insurer.

"Reserve Policy" means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Bond Insurer for credit to the Reserve Account on the Closing Date.

"Reserve Requirement" means, as of any date of calculation, the least of (a) 10% of the initial principal amount of the Bonds, (b) the maximum annual debt service on the Bonds and (c) 125% of average annual debt service on the Bonds; provided that in no event shall the Authority or the District, in connection with the issuance of Additional Bonds, be obligated to deposit an amount in the Reserve Account that is in excess of the amount permitted by the applicable provisions of the Tax Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, that in the event such amount of any deposit into the Reserve Account is so limited, the Reserve Requirement shall, in connection with the issuance of such Additional Bonds, be increased only by the amount of such deposit and the Reserve Requirement shall be satisfied by such deposit.

"Revenues" means: (a) all amounts received by the Authority or the Trustee under or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts payable by the District under the Lease Agreement in respect of additional debt, and (ii) any Additional Rental Payments; and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

"Site Lease" means the Site Lease dated as of August 1, 2019, between the District as lessor and the Authority as lessee, as amended from time to time in accordance with its terms.

"Site Lease Payment" means the amount of up-front rent which is payable under the Site Lease in consideration of the lease of the Leased Property by the District to the Authority thereunder.

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC business, its successors and assigns.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of United States of America, or its successor or successors, as Trustee hereunder as provided in the Indenture.

"2019 Bonds" means the $31,300,000 aggregate principal amount of Lammersville Schools Finance Authority 2019 Lease Revenue Bonds (Cordes Elementary School) authorized by and at any time Outstanding under the Indenture.

"Written Certificate," "Written Request" and "Written Requisition" of the Authority or the District mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the District by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

SITE LEASE

Under the Site Lease, the District agrees to lease the Leased Property to the Authority in consideration of the payment by the Authority of the Site Lease Payment on the Closing Date. The Authority agrees to cause the full amount of the Site Lease Payment to be raised from the proceeds of the Bonds, and to cause the Site Lease Payment by the Trustee depositing the Bond proceeds it received from the Original Purchaser in the Costs of Issuance Fund, Capitalized Interest Subaccount of the Interest Account and the Project Fund. No further rent payment is due by the Authority for the lease of the Leased Property under the Site Lease. The Site Lease is for a term commencing on the Closing Date and extending to the date on which no Bonds remain outstanding under the Indenture, but not later than ten years following the final stated maturity date of the Bonds. In the event of any release or substitution of property under the Lease Agreement as described below, the description of the property leased under the Site Lease will be modified accordingly.

LEASE AGREEMENT

Lease of Leased Property; Term

Under the Lease Agreement, the Authority leases the Leased Property back to the District. The Lease Agreement is for a term commencing on the Closing Date and extending to the date on which no Bonds remain outstanding under the Indenture, but not later than ten years following the final stated maturity date of the Bonds.

Lease Payments

The District agrees to pay semiannual Lease Payments, subject to abatement as described below, as the rental for the use and occupancy of the Leased Property. On each Lease Payment Date, the District is obligated to deposit with the Trustee the full amount of the Lease Payments coming due and payable on the next Interest Payment Date, to the extent required to be paid by the District under the Lease Agreement. Any amount held in the Bond Fund, the Interest Account, the Capitalized Interest Subaccount established for the 2019 Bonds and any similar account established for the Additional Bonds or the Principal Account on any Lease Payment Date (other than amounts on deposit in the Reserve Account, amounts specifically required to be credited to the prepayment of Lease Payments), will be credited towards the Lease Payment then coming due and payable.

Source of Payments

The Lease Payments are payable from any source of available funds of the District, subject to the provisions of the Lease Agreement relating to abatement.

Budget and Appropriation

The District covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of the Lease Agreement and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. Such covenant constitutes a duty imposed by law and each and every public official of the District is required to take all actions required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

Abatement of Lease Payments

The Lease Payments will be abated under the Lease Agreement during any period in which there is substantial interference with the District's use and occupancy of all or any portion of the Leased Property, including interference due to: (a) damage or destruction of the Leased Property in whole or in part or (b) eminent domain proceedings with respect to the Leased Property or any portion thereof.

The amount of such abatement is required to be an amount determined by the District, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property. In the event of such abatement, the District will have no obligation to pay abated Lease Payments and there is no remedy available to the Trustee or the Bond Owners arising from such abatement. Notwithstanding the foregoing, there will be no abatement of Lease Payments to the extent that the proceeds are available to pay Lease Payments which would otherwise be abated under the Lease, such proceeds being constituted a special fund for the payment of the Lease Payments.

Option to Prepay

The District has the option to prepay the principal components of the Lease Payments in whole, or in part in any integral multiple of $5,000, from any source of legally available funds, on any Interest Payment Date on which the Bonds are subject to optional redemption, at a prepayment price equal to the aggregate principal components of the Lease Payments to be prepaid, together with the interest component of the Lease Payment required to be paid on such Interest Payment Date, and together with a prepayment premium equal to the premium (if any) required to be paid on the resulting redemption of Bonds under the Indenture.

Security Deposit

Notwithstanding any other provision of the Lease, the District may on any date secure the payment of the Lease Payments allocable to the Leased Property in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts on deposit in the funds and accounts established under the Indenture, is either:

(a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in the Lease Agreement, or

(b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an independent certified public accountant, (which opinion must be addressed and delivered to the Trustee and escrow agent selected by the District for such purpose), together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due under the Lease Agreement, as the District instructs at the time of said deposit.

If the District makes a security deposit under the Lease Agreement with respect to all unpaid Lease Payments, and notwithstanding the provisions of the Lease Agreement, (a) the Term of the Lease will continue, (b) all obligations of the District under the Lease, and all security provided by the Lease for said Lease Payments, will thereupon cease and terminate, excepting only the obligation of the District to make, or cause to be made all of said Lease Payments from such security deposit, and (c) under the Lease Agreement, title to the Leased Property will vest in the District on the date of said deposit automatically and without further action by the District or the Authority. Said security deposit constitutes a special fund for the payment of Lease Payments in accordance with the provisions of the Lease.

Substitution of Property

The District has the option at any time and from time to time during the term of the Lease Agreement to substitute other land, facilities or improvements (the “Substitute Property”) for the Leased Property or portion thereof (the “Former Property”) provided that the District must satisfy all of the requirements set forth in the Lease Agreement, including the following:

(a) No Event of Default has occurred and is continuing.

(b) The District has filed with the Authority and the Trustee, and caused to be recorded in the office of the San Joaquin County Recorder sufficient memorialization of, an amendment to the Lease Agreement which that the legal description of the Substitute Property to the Lease Agreement and deletes therefrom the legal description of the Former Property, and has filed and caused to be recorded corresponding amendments to the Site Lease and Assignment Agreement.

(c) The District has obtained a CLTA policy of title insurance insuring the District's leasehold estate in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.

(d) The District has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the District and constitutes property which the District is permitted to lease under the laws of the State of California, and has been determined to be essential to the proper, efficient and economic operation of the District and to serve an essential governmental function of the District.

(e) The Substitute Property does not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement.

(f) The District has filed with the Authority and the Trustee a written certificate of the District or other written evidencing stating that the useful life of the Substitute Property at least extends to the final maturity date of the Bonds, that the estimated value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the Leased Property, after substitution of the Substitute Property and release of the Former Property, is at least equal to the Lease Payments thereafter coming due and payable under the Lease Agreement.

(g) The District has mailed written notice of such substitution to each rating agency which then maintains a rating on the Bonds.

(h) The District shall have obtained the prior written consent of the Bond Insurer to such substitution, which consent will not be unreasonably withheld or delayed.

Following the date on which all of the foregoing conditions precedent to such substitution are satisfied, the term of the Lease Agreement ceases with respect to the Former Property and continues with respect to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute

Property. The District will not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution.

Release of Property

The District has the option at any time and from time to time during the term of the Lease Agreement to release any portion of the Leased Property from the Lease Agreement (the "Released Property") provided that the District must satisfy all of the requirements set forth in the Lease Agreement, including the following:

(a) No Event of Default has occurred and is continuing.

(b) The District has filed with the Authority and the Trustee, and caused to be recorded in the office of the San Joaquin County Recorder sufficient memorialization of an amendment of the Site Lease and the Assignment Agreement which removes the Released Property from the Site Lease, the Assignment Agreement and the Lease.

(c) The District has certified in writing to the Authority and the Trustee that the value of the property which remains subject to the Lease Agreement following such release is at least equal to the aggregate Outstanding principal amount of the Bonds, and the fair rental value of the property which remains subject to the Lease Agreement following such release is at least equal to the Lease Payments thereafter coming due and payable under the Lease Agreement.

(d) The District has mailed written notice of such release to each rating agency which then maintains a rating on the Bonds.

(e) The District has obtained the prior written consent of the Bond Insurer to such release, which consent will not be unreasonably withheld or delayed.

Upon the satisfaction of all such conditions precedent, the Term of the Lease Agreement will thereupon end as to the Released Property. The District is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Authority and the District will execute, deliver and cause to be recorded all documents required to discharge the Site Lease, the Lease Agreement and the Assignment Agreement of record against the Released Property.

Maintenance, Utilities, Taxes and Modifications

The District, at its own expense, has agreed to maintain or cause to be maintained the Leased Property in good repair; the Authority has no responsibility for such maintenance. The District is also obligated to pay all taxes and assessments charged to the Leased Property. The District has the right under the Lease Agreement to remodel the Leased Property and to make additions, modifications and improvements to the Leased Property, provided that any such additions, modifications and improvements to the Leased Property are of a value which is not substantially less than such value of the Leased Property immediately prior to making such additions, modifications and improvements. The District will not permit any mechanic's or other lien to be established or to remain against the Leased Property, except that the District has the right in good faith to contest any such lien.

Insurance

The Lease Agreement requires the District to maintain or cause to be maintained the following insurance against risk of physical damage to the Leased Property and other risks for the protection of the Bond Owners, the Authority and the Trustee:

Public Liability and Property Damage Insurance. The District shall maintain or cause to be maintained throughout the Term of the Lease, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the District, a standard commercial general liability insurance policy or policies in protection of the Authority, the District, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the District deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District, or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance, subject to the Bond Insurer's prior written consent, which consent shall not be unreasonably withheld or delayed. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

If any insurance required pursuant to this provision is provided in the form of self-insurance, the District must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the District or an independent insurance adviser engaged by the District identifying the extent of such self-insurance and stating the determination that the District maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the District, the District has no obligation to make any payment with respect to any insured event except from those reserves.

Casualty Insurance. The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds. Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and must include earthquake insurance if available at reasonable cost from reputable insurers in the judgment of the District. Such insurance may be subject to such deductibles as the District deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Trustee, as assignee of the Authority under the Assignment Agreement, has the right to receive all Net Proceeds. As provided in the Indenture, the Trustee will deposit all Net Proceeds in the Insurance and Condemnation Fund to be applied as set forth in “Damage, Destruction and Eminent Domain” below.

Rental Interruption Insurance. The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the insurance required by the casualty insurance described above in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable. The provider of such rental interruption or use and occupancy insurance shall be rated at least “A” by A.M. Best & Company.

Recordation and Title Insurance. On or before the Closing Date the District shall, at its expense, (a) cause the Site Lease, the Assignment Agreement and the Lease, or a memorandum thereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the San Joaquin County Recorder, and (b) obtain a CLTA title insurance policy insuring the District’s leasehold estate in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy must be deposited with the Trustee in the Bond Fund to be credited towards the prepayment of the remaining Lease Payments under the Lease.

Damage, Destruction and Eminent Domain

Application of Net Proceeds. The Trustee, as assignee of the Authority under the Assignment Agreement, has the right to receive all Net Proceeds. As provided in the Indenture, the Trustee will deposit all Net Proceeds in the Insurance and Condemnation Fund to be applied as set forth in the Indenture.

Termination or Abatement Due to Eminent Domain. If all or any part of the Leased Property is taken by eminent domain proceedings or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

(a) the Lease shall continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and

(b) the Lease Payments are subject to abatement in an amount determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

Notwithstanding the foregoing, there shall be no abatement of Lease Payments under the Lease Agreement to the extent that the proceeds of hazard insurance, rental interruption insurance, capitalized interest or amounts in the Reserve Account are available to pay Lease Payments which would otherwise be abated under the Lease Agreement, it being hereby declared that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Abatement Due to Damage or Destruction. The Lease Payments are subject to abatement during any period in which by reason of damage or destruction (other than by eminent domain which is addressed above) there is substantial interference with the use and occupancy by the District of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the District such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. The abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease continues in full force and effect and the District waives any right to terminate the Lease by virtue of any such damage and destruction.

Notwithstanding the foregoing, there shall be no abatement of Lease Payments under the Lease Agreement to the extent that the proceeds of hazard insurance, rental interruption insurance, capitalized interest or amounts in the Reserve Account are available to pay Lease Payments which would otherwise be abated under the Lease Agreement, it being hereby declared that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Assignment; Subleases

The Authority has assigned certain of its rights under the Lease Agreement to the Trustee under the Assignment Agreement. The District may not assign any of its rights in the Lease Agreement. The District may sublease all or a portion of the Leased Property, but only under the conditions contained in the Lease Agreement, including the condition that such sublease not cause the interest component of the Lease Payments to become subject to federal or State of California personal income taxes.

Amendment of Lease Agreement

The Authority and the District may at any time amend or modify any of the provisions of the Lease Agreement with the prior written consent of the Bond Insurer, which consent will not be unreasonably withheld or delayed so long as the Bond Insurance Policy is in effect and the Bond Insurer is not in default in respect of its payment obligations thereunder, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the outstanding Bonds; or (b) without the consent of any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- to add to the covenants and agreements of the District contained in the Lease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the District;

- to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained therein, to conform to the original intention of the District and the Authority;

- to modify, amend or supplement the Lease Agreement in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;

- to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein;

- in the event of the issuance of Additional Bonds in order to obligate the District to pay additional amounts of Lease Payments such that the scheduled amount of Lease Payments payable after such amendment shall be sufficient to pay the principal of and interest on the 2019 Bonds and such Additional Bonds but only if (A) the District has certified to the Trustee that the estimated value of the Leased Property is at least equal to the aggregate outstanding principal amount of the Bonds and the fair rental value of the Leased Property is at least equal to the Lease Payments thereafter coming due and payable hereunder (for the purposes of the certification described in this clause (A), the District may, if necessary to make such certification, assume completion of construction of the project being financed by the Additional Bonds if such project is all or a portion of the Leased Property as long as capitalized interest has been deposited in accordance with the Indenture), and (B) the District has filed with the Trustee written evidence that the amendments made under this clause will not of themselves cause a reduction or withdrawal of any rating then assigned to the then-outstanding Bonds;

- in any other respect whatsoever as the Authority and the District may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

Events of Default

Each of the following constitutes an Event of Default under and as defined in the Lease Agreement:

- Failure by the District to pay any Lease Payment or other payment required to be paid under the Lease Agreement at the time specified therein.

- Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement, other than as referred to in the preceding paragraph, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Authority or the Trustee; *provided, however*, that if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if the District commences to cure such failure within such 30-day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.

- Certain events relating to the insolvency or bankruptcy of the District.

Remedies on Default

Upon the occurrence and continuance of any Event of Default, the Authority has the right to terminate the Lease Agreement or, with or without such termination, re-enter, take possession of and re-let the Leased Property. When the Authority does not elect to terminate the Lease Agreement, the District remains liable to pay all Lease Payments as they come due and liable for damages resulting from such Event of Default. Any amounts collected by the Authority from the reletting of the Leased Property will be credited towards the unpaid Lease Payments. Any net proceeds of re-leasing or other disposition of the Leased Property are required to be applied as set forth in the Indenture. Under the Assignment Agreement, the Authority assigns all of its rights with respect to remedies in an Event of Default to the Trustee, so that all such remedies will be exercised by the Trustee and the Bond Owners as provided in the Indenture.

The Trustee has no right to accelerate Lease Payments and, due to the governmental nature of the Leased Property, it is uncertain whether a court would permit the exercise of the remedies of re-entry, repossession or re-letting.

INDENTURE OF TRUST

Establishment of Funds and Accounts; Flow of Funds

Costs of Issuance Fund. A portion of the proceeds of the Bonds will be deposited by the Trustee in the Costs of Issuance Fund on the Closing Date. The moneys in the Costs of Issuance Fund will be disbursed to pay costs of issuing the 2019 Bonds and other related financing costs from time to time upon receipt of written requests of the Authority. On the 180th day after the Closing Date, or at the earlier written request of the Authority, all amounts remaining in the Costs of Issuance Fund will be transferred by the Trustee to the Project Fund and the Trustee will thereupon close the Costs of Issuance Fund.

Establishment and Application of Project Fund. The Trustee will establish, maintain and hold in trust a separate fund designated as the "Project Fund" into which the Trustee will deposit a portion of the proceeds of sale of the 2019 Bonds.

The Trustee shall administer such fund as provided in the Indenture. Amounts on deposit in the Project Fund shall be used, as provided below, to pay the Project Costs, and to reimburse the District for the same. Pending such use, amounts on deposit in the Project Fund shall be invested only in Permitted Investments, with interest earnings and other investment income thereon being retained therein. All moneys remaining in the Project Fund upon the completion of the Project (as determined by the District in its sole discretion with written notice to the Trustee) shall be transferred by the Trustee as hereinafter provided.

The Trustee shall, from time to time, disburse money from the Project Fund to pay the Project Costs for the Project, as hereinafter provided, in each case promptly after receipt of, and in accordance with, a Written Certificate in the form attached as Appendix C to the Indenture.

In making such payments, the Trustee may rely upon the representations made in the Written Certificate. If for any reason the District should decide prior to the payment of any item in said Written Certificate not to pay such item, then it shall give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment, and the Trustee shall have no liability to the District or the designated payee as a result of such nonpayment. In no event shall the Trustee be responsible for the adequacy or due performance of any contracts relating to the Improvements or for the use or application of money properly disbursed pursuant to requests made under the Indenture.

If, after payment by the Trustee of all Written Certificates theretofore tendered to the Trustee under the provisions of the Indenture and after the District has notified the Trustee of the completion of the Project, there shall remain any balance of money in the Project Fund, all money so remaining (other than a reasonable retainage to pay Project Costs, as determined in the sole discretion of the District with written notice to the Trustee) shall be transferred to the Principal Account and shall be applied to the prepayment of Lease Payments under the Lease Agreement and the corresponding redemption of the 2019 Bonds under the Indenture.

At such time as no moneys remain in the Project Fund, the Project Fund shall be closed.

Bond Fund; Deposit and Transfer of Amounts Therein. All Revenues will be deposited by the Trustee in the Bond Fund promptly upon receipt. On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts and subaccount (each of which the Trustee will establish and maintain within the Bond Fund), the following amounts in the following order of priority:

(a) *Interest Account.* The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest coming due and payable on such date on all outstanding Bonds. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it comes due and payable, including accrued interest on any Bonds redeemed prior to maturity.

The Trustee shall deposit into the Capitalized Interest Subaccount, which is hereby established as a subaccount in the Interest Account, the amount described in the indenture.

(b) *Principal Account.* The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit therein to equal the principal amount of the Bonds maturing on such date. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds at the maturity thereof.

(c) *Reserve Account*. The Trustee shall deposit in the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement.

(d) *Annual Bond Insurance Premium*. Additional Rental Payments paid pursuant to the Lease for the annual premium for the Bond Insurance Policy shall be paid to the Bond Insurer on the date it is due under said Policy.

Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Moneys in the Capitalized Interest Subaccount shall be expended before moneys in the Interest Account. Amounts on deposit in the Capitalized Interest Subaccount shall be used and withdrawn by the Trustee solely for the payment of interest on the 2019 Bonds in the following amounts on the following dates: i) on April 1, 2020, $527,026.11; ii) on October 1, 2020, $447,475.00; iii) on April 1, 2021, $447,475.00; iv) on October 1, 2021, $447,475.00; v) on April 1, 2022, $447,475.00; (vi) on October 1, 2022, $367,923.89 and (vii) on October 1, 2022, the balance, if any, in the Capitalized Interest

Subaccount shall be transferred to the Project Fund and the Capitalized Interest Subaccount shall be closed. In such case that the 2019 Bonds are redeemed under Section 4.01(a) of the Indenture, Section 4.01(c) of the Indenture or Section 4.01(d) of the Indenture, the Authority shall provide a revised schedule of payments to be made from the Capitalized Interest Subaccount.

Redemption Fund. The Trustee will establish and maintain a Redemption Fund, amounts in which will be used and withdrawn by the Trustee solely for the purpose of paying the principal of on the Bonds to be redeemed. At any time prior to giving notice of redemption of any such Bonds, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Authority directs, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Investment of Funds; Determination of Value of Investments

All moneys in any of the funds or accounts held by the Trustee under the Indenture will be invested by the Trustee solely in Permitted Investments as directed by the Authority in advance of the making of such investments. In the absence of any such direction of the Authority, the Trustee will hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture will be deposited in the Bond Fund, *provided, however*, that earnings on the investment of the amount in the Reserve Account shall be retained therein to the extent required to maintain the Reserve Requirement, and otherwise shall be transferred to the Bond Fund; *provided further, however*, that earnings on the investment of the amounts in the Capitalized Interest Subaccount shall be transferred to the Project Fund; *provided further, however*, that earnings on the investment of the amounts in the Project Fund shall be returned and applied as set forth in the Indenture. For the purpose of determining the amount in any fund or account established under the Indenture, the value of investments credited to such fund will be calculated at the market value thereof, in accordance with the procedures specified in the Indenture.

Covenants of the Authority and the District

Payment of Bonds. The Authority will punctually pay or cause to be paid the principal of and interest and premium (if any) on the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, but only out of the Revenues and other assets pledged for such payment as provided in the Indenture. The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are outstanding, except the pledge and assignment created by the Indenture.

Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries will be made of all transactions relating to the proceeds of the Bonds, and all funds and accounts established pursuant to the Indenture. Such books of record and account will be available for inspection by the Authority and the District, during regular business hours and upon reasonable prior notice.

Tax Covenants Applicable to the 2019 Bonds. The Authority will not take, nor permit nor suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of any of the 2019 Bonds which would cause any of the 2019 Bonds to be "arbitrage bonds" or "private activity bonds" within the meaning of the Tax Code. The Authority will cause to be calculated annually all excess investment earnings which are required to be rebated to the United States of America under the Tax Code, and will cause all required amounts to be rebated from payments made by the District for such purpose under the Lease Agreement.

Lease Agreement. The Trustee will promptly collect all amounts due from the District pursuant to the Lease Agreement. Subject to the provisions of the Indenture governing the enforcement of remedies upon the occurrence of an Event of Default, the Trustee is required to enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the District under the Lease Agreement.

Provisions Relating to Bond Insurance Policy.

The District will provide the Bond Insurer with all notices and other information it is obligated to provide under its Continuing Disclosure Certificate and that it is obligated to provide under the Lease Agreement to the Authority or the Trustee, and the Authority will provide the Bond Insurer with all notices and other information it is obligated to provide to the holders of Bonds or the Trustee under this Indenture, the Lease, the Site Lease and the Assignment Agreement (collectively, the "Security Documents"). The notice address of the Bond Insurer is:

Build America Mutual Assurance Company
200 Liberty Street, 27th Floor
New York, New York 10281
Attention: Surveillance, Re: Policy No. 2019B0509
Telephone: (212) 235-2500
Telecopier: (212) 235-1542
Email: notices@buildamerica.com

In each case in which notice or other communication refers to an event of default or a claim on the Bond Insurance Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

The investments in any defeasance escrow for the Bonds shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise may be authorized under the laws of the State of California and approved by the Bond Insurer.

At least three Business Days prior to any defeasance, the Authority shall deliver to the Bond Insurer copies of an escrow agreement, opinions regarding the validity and enforceability of the escrow agreement, a verification report (a "Verification Report") of a nationally recognized independent financial analyst or firm of certified public accountants regarding sufficiency of the escrow and a defeasance legal opinion. Such opinions and Verification Report shall be addressed to the Bond Insurer and shall be in form and substance satisfactory to the Bond Insurer. In addition, the escrow agreement shall provide that:

(a) Any substitution of securities shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Bonds is excludable) from gross income of the holders of the Bonds of the interest on the Bonds for federal income tax purposes and the prior written consent of the Bond Insurer, which consent will not be unreasonably withheld or delayed.

(b) The District will not exercise any prior optional prepayment of Bonds secured by the escrow agreement or any other prepayment other than mandatory sinking fund prepayments (if any) unless (i) the right to make any such prepayment has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding Bonds, and (ii) as a condition to any such prepayment there shall be provided to the Bond Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such prepayment.

(c) The District shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Bond Insurer, which consent will not be unreasonably withheld or delayed.

The Bond Insurer shall receive prior written notice of any name change of the Trustee or the resignation or removal of the Trustee. Any Trustee must be (i) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least $250 million of assets, (ii) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least $1 billion of assets, or (iii) otherwise approved by the Bond Insurer in writing.

No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Bond Insurer, shall be appointed.

The Bond Insurer's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below, and such consent will not be unreasonably withheld or delayed. The Authority shall send copies of any such amendments or supplements to the Bond Insurer and the rating agencies which have assigned a rating to the Bonds.

(a) *Consent of the Bond Insurer*. The Bond Insurer's consent shall not be required for the following amendments or supplements:

(i) to cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in this Indenture or in any supplement thereto, or

(ii) to grant or confer upon the Bond holders any additional rights, remedies, powers authority or security that may lawfully be granted to or conferred upon the Bond holders, or

(iii) to add to the conditions, limitations and restrictions on the delivery of Bonds under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed or

(iv) to add to the covenants and agreements of the District in the Security Documents other covenants and agreements thereafter to be observed by the District or to surrender any right or power therein reserved to or conferred upon the District.

(b) *Consent of the Bond Insurer in Addition to Bond Holder Waiver*. Any waiver of any provision of this Indenture that requires a waiver of holders of the Bonds or adversely affects the rights or interests of the Bond Insurer shall be subject to the prior written consent of the Bond Insurer, which shall not be unreasonably withheld or delayed.

(c) *Consent of the Bond Insurer in the Event of Insolvency*. Any reorganization or liquidation plan with respect to the District must be acceptable to the Bond Insurer in writing. In the event of any reorganization or liquidation of the District, the Bond Insurer shall have the right to vote on behalf of all holders of the Bonds absent a continuing failure by the Bond Insurer to make a payment under the Bond Insurance Policy.

(d) *Bond Insurer as Owner*. Upon the occurrence and continuance of a default or an event of default, the Bond Insurer shall be deemed to be the sole owner of the Bonds for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(e) *Consent of the Bond Insurer for Acceleration.* The Bond Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration. No acceleration is permitted under the Lease Agreement.

(f) *Grace Period for Payment Defaults*. No grace period shall be permitted for payment defaults on the Bonds. No grace period for a covenant default shall exceed 30 days without the prior written consent of BAM.

(g) *Special Provisions for Insurer Default*. If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs 4(a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, the Bond Insurer has made payment under the Bond Insurance Policy, to the extent of such payment the Bond Insurer shall be treated like any other holder of the Bonds for all purposes, including giving of consents, and (2) if the Bond Insurer has not made any payment under the Bond Insurance Policy, the Bond Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Bond Insurer makes a payment under the Bond Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph (h), "Insurer Default" means: (A) the Bond Insurer has failed to make any payment under the Bond Insurance Policy when due and owing in accordance with its terms; or (B) the Bond Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Bond Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Bond Insurer (including without limitation under the New York Insurance Law).

The security for the Bonds shall include a pledge and assignment of the Lease and a default under the Lease shall constitute an Event of Default under the Security Documents. In accordance with the foregoing, the Lease is hereby pledged and assigned to the Trustee for the benefit of the holders of the Bonds.

Any payments by the District under the Lease that will be applied to the payment of debt service on the Bonds shall be made directly to the Trustee at least fifteen (15) days prior to each debt service payment date for the Bonds.

The Bond Insurer is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

In the event that principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Authority to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond

Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Bonds.

In the event that on the second Business Day prior to any payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal and interest represented by the Bonds due on such payment date, the Trustee shall immediately notify the Bond Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Bond Insurer or its designee.

In addition, if the Trustee has notice that any holder of the Bonds has been required to disgorge payments of principal or interest represented by the Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Bond Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Bond Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Bonds as follows:

(a) If there is a deficiency in amounts required to pay interest and/or principal on the Bonds, the Trustee shall (i) execute and deliver to the Bond Insurer, in form satisfactory to the Bond Insurer, an instrument appointing the Bond Insurer as agent and attorney-in-fact for such holders of the Bonds in any legal proceeding related to the payment and assignment to the Bond Insurer of the claims for interest on the Bonds, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy payment from the Bond Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(b) If there is a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (i) execute and deliver to the Bond Insurer, in form satisfactory to the Bond Insurer, an instrument appointing the Bond Insurer as agent and attorney in- fact for such holder of the Bonds in any legal proceeding related to the payment of such principal and an assignment to the Bond Insurer of the Bonds surrendered to the Bond Insurer, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy payment therefore from the Bond Insurer, and (iii) disburse the same to such holders. The Trustee shall designate any portion of payment of principal on Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name directed by the Bond Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Authority on any Bond or the subrogation or assignment rights of the Bond Insurer.

Payments with respect to claims for interest on and principal of the Bonds disbursed by the Trustee from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the District with respect to such Bonds, and the Bond Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee agree for the benefit of the Bond Insurer that:

(a) They recognize that to the extent the Bond Insurer makes payments directly or indirectly (*e.g.*, by paying through the Trustee), on account of principal or interest represented by the Bonds, the Bond Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Authority, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Bonds; and

(b) They will accordingly pay to the Bond Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Bonds, but only from the sources and in the manner provided therein for the payment of principal and interest represented by the Bonds to holders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

The Authority agrees unconditionally that it will pay or reimburse the Bond Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Bond Insurer may pay or incur, including, but not limited to, fees and expenses of the Bond Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Bond Insurer spent in connection with the actions described in the preceding sentence. The Authority agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Bond Insurer until the date the Bond Insurer is paid in full. "Late Payment Rate" means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Bond Insurer in its sole and absolute discretion shall specify. Interest at the Late Payment Rate on any amount owing to the Bond Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

Notwithstanding anything herein to the contrary, the Authority agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Bond Insurance Policy ("the Bond Insurer Policy Payment"); and (ii) interest on such the Bond Insurer Policy Payments from the date paid by the Bond Insurer until payment thereof in full by the Authority, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, "the Bond Insurer Reimbursement Amounts") compounded semi-annually. The Authority hereby covenants and agrees that the Bond Insurer Reimbursement Amounts are payable as a Lease Payment under the Lease Agreement.

Except for the Reserve Policy, prior written consent of the Bond Insurer is a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Account, if any. Amounts on deposit in the Reserve Account shall be applied solely to the payment of debt service due on the Bonds, except as set forth in the Indenture.

The rights granted to the Bond Insurer under the Security Documents to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Bonds and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the holders of the Bonds or any other person is required in addition to the consent of the Bond Insurer.

The Bond Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Bond Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with this Indenture, whether or not the Bond Insurer has received a claim upon the Bond Insurance Policy.

No contract shall be entered into or any action taken by which the rights of the Bond Insurer or security for or source of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

If an event of default occurs under any agreement pursuant to which any Obligation of the Authority has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the Bonds or the Bond Insurer, as Bond Insurer may determine in its sole discretion, then an event of default shall be deemed to have occurred under this Indenture and the related Security Documents for which Bond Insurer or the Trustee, at the direction of Bond Insurer, shall be entitled to exercise all available remedies under the Security Documents, at law and in equity. For purposes of the foregoing "Obligation" shall mean any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Bonds.

Provisions Relating to Reserve Policy.

The Authority shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Bond Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Bond Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Bond Insurer in its sole and absolute discretion shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Bond Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Reserve Account established for the Bonds shall be transferred to the Lease Payment Fund for payment of the debt service on the Bonds before any drawing may be made on the Reserve Policy or any other Reserve Facility in lieu of cash.

Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all Reserve Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Reserve Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

Draws under the Reserve Policy may only be used to make payments on Bonds insured by the Bond Insurer.

If the Authority shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, the Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Security Documents other than (i) acceleration of the maturity of the Bonds, or (ii) remedies which would adversely affect owners of the Bonds.

The Security Documents shall not be discharged until all Policy Costs owing to the Bond Insurer shall have been paid in full. The Authority's obligation to pay such amount shall expressly survive payment in full of the Bonds.

The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph (a) hereof and provide notice to the Bond Insurer at least three business days prior to each date upon which interest or principal is due on the Bonds.

The Reserve Policy shall expire on the earlier of the date the Bonds are no longer outstanding and the final maturity date of the Bonds.

Amendment of Indenture

The Indenture may be modified or amended at any time by a supplemental indenture with the prior written consents of the Owners of a majority in aggregate principal amount of the Bonds then outstanding. No such modification or amendment may (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

The Indenture may also be modified or amended at any time by a supplemental indenture, without the consent of any Bond Owners, to the extent permitted by law, but only for any one or more of the following purposes:

- To add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority.

- To cure any ambiguity, inconsistency or omission in the Indenture, or correct any defective provision in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, so long as such modification or amendment does not materially adversely affect the interests of the Bond Owners in the opinion of Bond Counsel filed with the Trustee.

- To modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute at any time in effect.

- To modify, amend or supplement the Indenture so as to cause interest on the 2019 Bonds to remain excludable from gross income under the Tax Code.

- to provide for the issuance of Additional Bonds pursuant to the Indenture. See "LEASE AGREEMENT – Amendment of Lease Agreement" above.

Events of Default

Events of Default Defined. The following events constitute events of default under the Indenture:

- Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

- Failure to pay any installment of interest on the Bonds when due.

- Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; provided, however, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

- The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

- The occurrence and continuation of any Event of Default under and as defined in the Lease Agreement. See "LEASE AGREEMENT - Events of Default" above.

Remedies. Upon the occurrence and during the continuance of any Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time outstanding the Trustee shall:

- upon notice in writing to the Authority and the District, and subject to receipt of satisfactory indemnity, declare the principal of all of the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately (provided that no such acceleration will have the effect of accelerating the District's obligations under the Lease Agreement, as more fully described above), or

- enforce any rights of the Trustee under or with respect to the Indenture.

The Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture and applicable provisions of any law.

Notwithstanding any other provisions of the Indenture or in the Lease, the Bond Insurer shall have the right, so long as it is not in default under the Bond Insurance Policy or the Reserve Policy, to direct the remedies to be taken upon any Event of Default hereunder, and the Bond Insurer's consent shall be required for remedial action taken by the Trustee or the Authority hereunder, which consent will not be unreasonably withheld or delayed.

Application of Revenues and Other Funds After Default. If an Event of Default has occurred and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture will be applied by the Trustee as follows and in the following order:

(1) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(2) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the available amount is not sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Limitation on Bond Owners' Right to Sue. No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Indenture, unless:

- such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;

- the Owners of a majority in aggregate principal amount of all the Bonds then outstanding have requested the Trustee in writing to exercise its powers under the Indenture;

- said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

- the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by the Trustee and said tender of indemnity is made to the Trustee; and

- no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Bonds then outstanding.

Discharge of Indenture

The Authority may pay and discharge the indebtedness on any or all of the outstanding Bonds in any one or more of the following ways:

- by paying or causing to be paid the principal of and interest on the Bonds, as and when the same become due and payable;

- by irrevocably depositing with the Trustee, in trust, at or before maturity, cash and/or non-callable Federal Securities which, together with the investment earnings to be received thereon, have been verified by an independent accountant to be sufficient to pay or redeem such Bonds when and as the same become due and payable; or

- by delivering to the Trustee, for cancellation by it, all of such Bonds.

Upon such payment or delivery, and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other obligations of the Authority under the Indenture with respect to such Bonds, will cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose. Any funds thereafter held by the Trustee, which are not required for said purposes, will be paid over to the Authority.

APPENDIX C

FISCAL YEAR 2017-18 AUDITED FINANCIAL STATEMENTS

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LAMMERSVILLE UNIFIED SCHOOL DISTRICT

OF SAN JOAQUIN COUNTY

LAMMERSVILLE, CALIFORNIA

JUNE 30, 2018

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
David Pombo	President	2020
Sharon Lampel	Clerk	2018
Anne Goodrich	Member	2020
Matthew Balzarini	Member	2020
Colin Clements	Member	2018

ADMINISTRATION

Dr. Kirk Nicholas	Superintendent
Thorsten Harrison	Associate Superintendent
Heather Sherburn	Assistant Superintendent
Alvina Keyser	Chief Business Official

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LAMMERSVILLE UNIFIED SCHOOL DISTRICT

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Cichella & Tokunaga, LLP
Certified Public Accountants

4671 Golden Foothill Parkway ♦ El Dorado Hills, CA 95672 www.ctcpa.net
Voice: (877) 359-9588 ♦ Fax: (916) 941-7234

INDEPENDENT AUDITORS' REPORT

Governing Board
Lammersville Unified School District
Lammersville, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lammersville Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principles

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, the Schedule of Change in the Districts total OPEB liability and related ratios, Schedule of District's Contributions for OPEB, Schedule of the District's proportionate share of the net OPEB liability – MPP Program, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District's Contributions for Pensions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lammersville Unified School District's basic financial statements. The Supplementary Information section, as listed in the Table of Contents, is presented for purposes of additional analysis and as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* published by the Education Audit Appeals Panel, and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, on our consideration of the Lammersville Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lammersville Unified School District's internal control over financial reporting and compliance.

Cichella + Tokunaga LLP

El Dorado Hills, California
December 5, 2018

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This section of Lammersville Unified School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follows this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables. The District does not have any business-type activities.

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

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

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

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

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The most significant highlight for Lammersville Unified School District is the growth it endures both in enrollment and in the housing market. There is a need to house the students, so construction and designs for additional K-8 elementary schools are expected to begin in 2019.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $60,405,054 for the fiscal year ended June 30, 2018. Of this amount, ($18,921,053) was unrestricted. Restricted net position was reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities. The increase in long-term obligations and deferred outflows of resources is directly related to the implementation of GASB statements No. 75 related to the recording of total OPEB liability.

Table 1

	Governmental Activities	
	2018	(As Restated) 2017
Assets		
Current and other assets	$ 49,401,589	$ 89,046,092
Capital assets	266,293,963	216,334,364
Total Assets	**315,695,552**	**305,380,456**
Deferered outflows of resources		
Deferal realated to penision activities	20,487,270	11,942,558
Deferal related to OPEB	59,375	-
Total Deferred Outflows of Resources	**20,546,645**	**11,942,558**
Liabilities		
Current liabilities	7,571,110	4,597,801
Long-term obligations	266,879,469	263,091,659
Total Liabilities	**274,450,579**	**267,689,460**
Deferred inflows of resources		
Deferral related to pension activities	1,207,246	735,582
Deferral related to OPEB activities	179,318	-
Total Deferred Inflow of Resources	**1,386,564**	**735,582**
Net Position		
Invested in capital assets, net of related debt	39,023,676	(16,597,040)
Restricted	40,302,431	80,108,149
Unrestricted	(18,921,053)	(14,613,137)
Total Net Position	**$ 60,405,054**	**$ 48,897,972**

The ($18,921,053) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The June 30, 2018 unrestricted net position decreased by $4,307,916 as compared to June 30, 2017.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 17. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see total revenues and expenses for the year.

Table 2

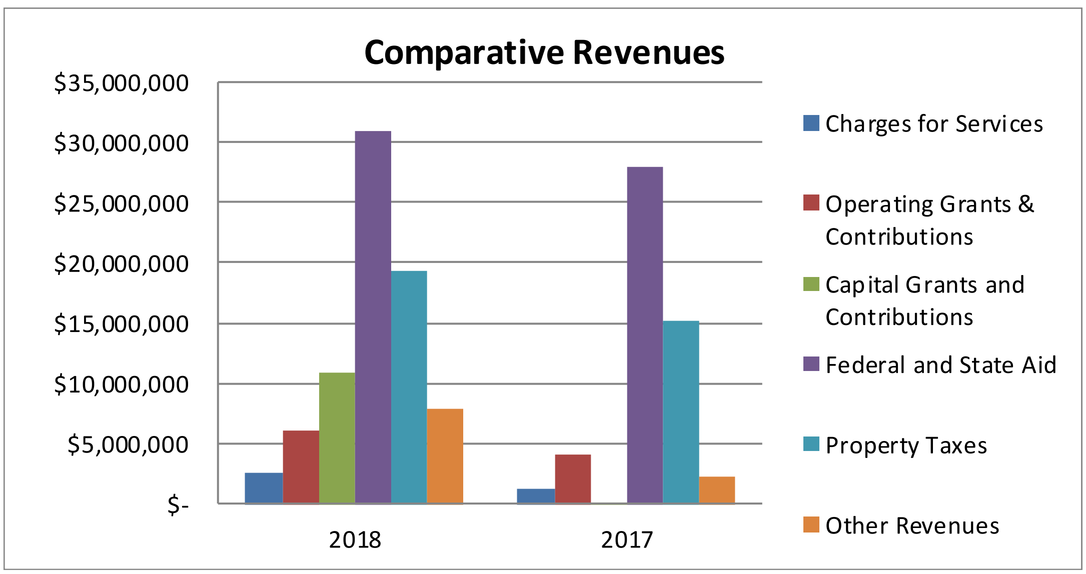
	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 2,596,955	$ 1,267,695
Operating grants and contributions	6,000,109	4,039,294
Capital grants and contributions	10,848,091	407
General revenues:		
Federal and State aid not restricted	30,945,537	28,015,585
Property taxes	19,314,580	15,156,714
Other general revenues	7,953,900	2,268,317
Total Revenues	**77,659,172**	**50,748,012**
Expenses		
Instruction-related	39,698,254	34,553,569
Pupil services	4,334,520	3,581,696
Administration	3,413,758	2,843,169
Plant Services	4,727,070	5,093,265
Other	16,921,181	10,218,670
Total Expenses	**69,094,783**	**56,290,369**
Change in Net Position	**8,564,389**	**(5,542,357)**

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all governmental activities this year was $69,094,783. However, the amount that taxpayers ultimately financed for these activities through local taxes was $19,314,580, because the cost was paid by those who benefited from the programs $(2,596,955) or by other governments and organizations who subsidized certain programs with grants and contributions $(6,000,109). The District paid for the remaining "public benefit" portion of governmental activities with $30,945,537 in Federal and State aid and $7,953,900 with other revenues, such as interest and general entitlements.

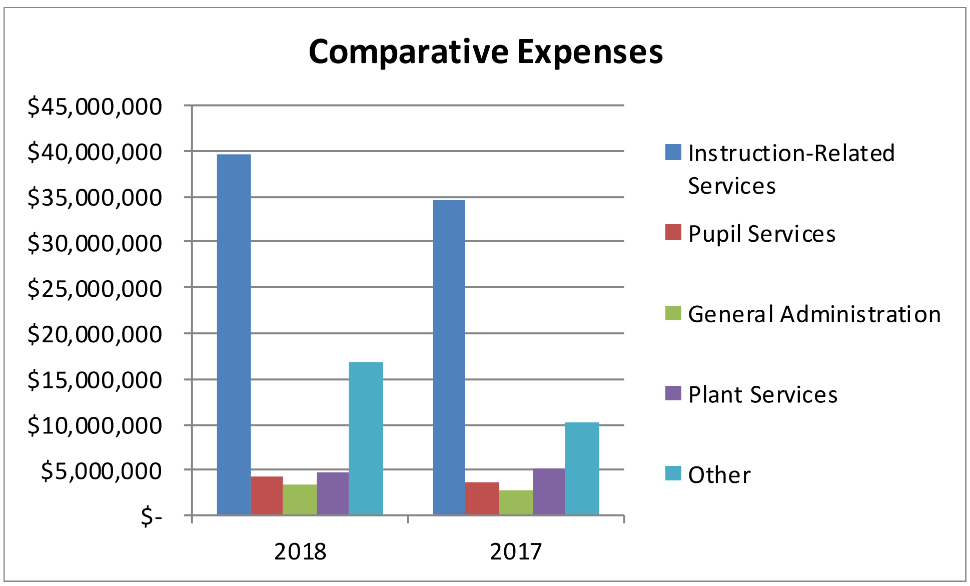
Schedule of Revenues for Governmental Functions

	2018	Percent of Total	2017	Percent of Total
Revenues				
Program revenues:				
Charges for services and sales	$ 2,596,955	3.34%	$ 1,267,695	2.50%
Operating grants and contributions	6,000,109	7.73%	4,039,294	7.96%
Capital grants and contributions	10,848,091	13.97%	407	0.00%
General revenues:				
Federal and State aid not restricted	30,945,537	39.85%	28,015,585	55.21%
Property taxes	19,314,580	24.87%	15,156,714	29.86%
Other Revenues	7,953,900	10.24%	2,268,317	4.47%
Total Revenues	**$ 77,659,172**	**100.00%**	**50,748,012**	**100.00%**



Schedule of Expenses for Governmental Functions

	2018	Percent of Total	2017	Percent of Total
Expenses				
Instruction-Related Services	$ 39,698,254	57.45%	$ 34,553,569	61.38%
Pupil Services	4,334,520	6.27%	3,581,696	6.36%
General Administration	3,413,758	4.94%	2,843,169	5.05%
Plant Services	4,727,070	6.84%	5,093,265	9.05%
Other	16,921,181	24.49%	10,218,670	18.16%
Total Expenses	**$ 69,094,783**	**100.00%**	**$ 56,290,369**	**100.00%**

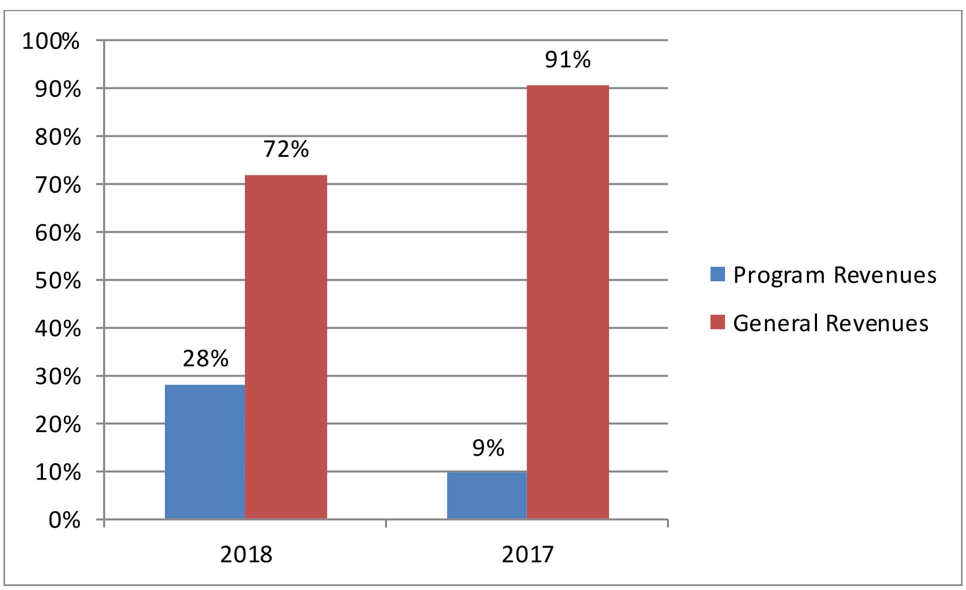


In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction-related services, pupil services, administration, plant services, and other. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these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

Table 3

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction-Related Services	$ 39,698,254	$ 34,553,569	$ 25,452,239	$ 31,772,960
Pupil Services	4,334,520	3,581,696	2,382,849	1,885,782
General Administration	3,413,758	2,843,169	3,288,973	2,748,888
Plant Services	4,727,070	5,093,265	4,675,818	4,853,735
Other	16,921,181	10,218,670	13,849,749	9,721,608
Total	**$ 69,094,783**	**$ 56,290,369**	**$ 49,649,628**	**$ 50,982,973**

Program revenue financed 72% of the total cost of providing the service listed above, while the remaining 28% was financed by the general revenue of the District.



THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $43,205,566 which decreased from last year's ending fund balance by $44,848,089.

Table 4

	Balances and Activity			
	(As Restated) 7/1/2017	Revenues	Expenditures	June 30, 2018
General	$ 7,336,816	$ 44,465,880	$ 46,216,972	$ 5,585,724
Cafeteria	303,214	1,550,762	1,543,616	310,360
Deferred Maintenance	174,029	253,675	281,503	146,201
Building	21,928,432	265,835	11,456,859	10,737,408
Debt Service	4,893,826	8,224,053	6,779,276	6,338,603
County School Facilities	55,092	10,848,091	9,651,365	1,251,818
Capital Facilities	1,175,889	5,273,208	4,799,095	1,650,002
Capital Project for Blended * Component Unit	50,343,688	4,281,348	39,096,045	15,528,991
Special Reserve - Capital Outlay	418,357	133,897	-	552,254
Bond Interest and Redemption	1,424,312	2,050,471	2,370,578	1,104,205
Total	**$ 88,053,655**	**$ 77,347,220**	**$ 122,195,309**	**$ 43,205,566**

*Capital Project for Blended Component Unit – The District made necessary adjustments to beginning fund balance to reconcile to cash with fiscal agent. Please see Note 15 for additional details.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 18, 2018 (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 73.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had invested $266,293,963, net of accumulated depreciation in a broad range of capital assets, including land, construction in progress, buildings and improvements, and equipment.

Table 5

	Capital Assets	
	2018	2017
Land	$ 1,541,705	$ 1,541,705
Construction in progress	37,141,148	34,793,527
Buildings and improvements	224,755,290	177,780,338
Equipment	2,855,820	2,218,794
Totals	**$ 266,293,963**	**$ 216,334,364**

We present more detailed information about capital assets in Note 4 of the financial statements.

Long-Term Obligations

At June 30, 2018, the District had $268,786,629 in debt, consisting mainly of Community Facilities District Bonds and Construction loans.

Table 6

	Long-Term Obligations	
	2018	(As restated) 2017
Community Facilities District Bonds	$ 125,490,000	$ 127,229,617
General Obligation Bonds	56,000,000	56,000,000
Premium, net of Amortization	6,581,553	6,867,081
Discount, net of Amortization	(736,928)	(769,663)
Construction Loans	39,935,662	43,604,369
Compensated absences	144,469	79,155
Net OPEB Liability	3,806,435	3,186,755
Net pension liability	37,565,438	28,549,525
Totals	**$ 268,786,629**	**$ 264,746,839**

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018 ARE NOTED BELOW:

- The District continued to increase in enrollment from 4,750 to 5,000. The growth came as a result of the Hansen and Cordes Neighborhoods in the Mountain House area.
- The final Mountain House High School Phase IV completed in December 2017.
- With the growth mentioned above, additional certificated and classified staff were hired, materials purchased, and textbooks purchased for the K-8 Schools.
- The construction of Hansen Elementary began in 2017 and ends in 2018.
- Division of State Architect approved the Cordes Elementary School design in 2018.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND ASSUMPTIONS

The District used the following assumptions in constructing the 2018/19 fiscal year budget. The information provided below is current as of July 1, 2018.

Local Control Fund Formula (LCFF)

> The LCFF provides base, supplemental, and concentration grants in place of most previously existing Funding sources, including revenue limits and most state categorical programs. As part of the LCFF, the District will be required to develop, adopt, and annually update three-year Local Control and Accountability Plan (LCAP) using a template adopted by the California State Board of Education.

They key assumptions in our expenditure forecast are:

- Additional expenditures due to growth as stated above; September 2018 enrollment has exceeded 5,300.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Director of Business Services, Ms. Alvina Keyser, at Lammersville Unified School District, 111 S. De Anza Boulevard, Mountain House, CA 95391 at (209) 836-7400 or email at alkeyser@sjcoe.net.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 47,793,579
Receivables	1,477,955
Prepaid Expenses	113,847
Stores inventories	16,208
Capital assets not depreciated	297,843,879
Less: Accumulated depreciation	(31,549,916)
Total Assets	315,695,552
DEFERRED OUTFLOWS OF RESOURCES	
Deferral realted to pension activities	20,487,270
Deferral related to OPEB	59,375
Total Deferred Outflow of Resources	20,546,645
LIABILITIES	
Accounts payable	4,087,769
Interest payable	1,569,263
Unearned revenue	6,918
Current portion of long-term obligations	1,907,160
Noncurrent portion of long-term obligations	266,879,469
Total Liabilities	274,450,579
DEFERRED INFLOWS OF RESOURCES	
Deferral related to pension activities	1,207,246
Deferral related to OPEB	179,318
Total Deferred Inflow of Resources	1,386,564
NET POSITION	
Invested in capital assets, net of related debt	39,023,676
Restricted for:	
Debt service	7,442,808
Educational programs	581,253
Capital projects	29,720,473
Self Insurance	2,101,336
Other activities	456,561
Unrestricted	(18,921,053)
Total Net Position	$ 60,405,054

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS – STATEMENT OF ACTIVITIES
JUNE 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	$ 33,202,633	$ 28,954	$ 2,967,191	$ 10,848,091	$ (19,358,397)
Instruction-related activities:					
Supervision of instruction	2,251,580	2,745	234,296	-	(2,014,539)
Instructional library, media, and technology	1,162,940	2,223	35,837	-	(1,124,880)
School site administration	3,081,101	-	126,678	-	(2,954,423)
Pupil services:					
Home-to-school transportation	194,365	642	26,271	-	(167,452)
Food services	1,538,221	880,886	594,000	-	(63,335)
All other pupil services	2,601,934	4,617	445,255	-	(2,152,062)
Administration:					
All other administration	2,698,387	54,294	70,491	-	(2,573,602)
Data Processing Services	715,371	-	-	-	(715,371)
Plant services	4,727,070	10,579	40,673	-	(4,675,818)
Ancillary services	1,547,917	2,416	43,331	-	(1,502,170)
Enterprise activities	42,008	-	-	-	(42,008)
Interest on long-term obligations	8,318,520	-	-	-	(8,318,520)
Other outgo	7,012,736	1,609,599	1,416,086	-	(3,987,051)
Depreciation - unallocated	-	-	-	-	-
Total Governmental Activities	$ 69,094,783	$ 2,596,955	$ 6,000,109	$ 10,848,091	$ (49,649,628)

General revenues and subventions:	
Property taxes, levied for general purposes	9,129,067
Property taxes, levied for debt service	10,185,513
Federal and State aid not restricted to specific purposes	30,945,537
Interest and investment earnings	118,887
Interagency revenues	6,210
Miscellaneous	216,234
Special and extraordinary items	7,612,569
Subtotal, General Revenues	58,214,017
Change in Net Position	8,564,389
Net Position - Beginning - as previously reported	51,530,125
Cumulative effect of restatement *	310,540
Net Position - Beginning - as restated	51,840,665
Net Position - Ending	$ 60,405,054

*See Note 15 for details

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

GOVERNMENTAL FUNDS – BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	County Schools Facilities Fund
ASSETS			
Deposits and investments	$ 7,771,291	$ 10,950,412	$ 1,397,977
Receivables	1,212,389	48,307	8,165
Due from other funds	-	-	-
Prepaid Expenditures	47,812	63,935	-
Stores inventories	-	-	-
Total Assets	9,031,492	11,062,654	1,406,142
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	3,438,595	325,246	154,324
Due to other funds	255	-	-
Unearned revenue	6,918	-	-
Total Liabilities	3,445,768	325,246	154,324
Fund Balances:			
Nonspendable	62,812	63,935	-
Restricted	518,441	10,673,473	1,251,818
Assigned	3,617,962	-	-
Unassigned	1,386,509	-	-
Total Fund Balance	5,585,724	10,737,408	1,251,818
Total Liabilities and Fund Balances	$ 9,031,492	$ 11,062,654	$ 1,406,142

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

Capital Project Fund for Blended Component Unit	Debt Service Fund for Blended Component Unit	Non-Major Governmental Funds	Total Governmental Funds
$ 15,533,286	$ 6,316,306	$ 3,731,301	$ 45,700,573
70,947	25,702	104,115	1,469,625
-	-	255	255
-	-	2,100	113,847
-	-	16,208	16,208
15,604,233	6,342,008	3,853,979	47,300,508
75,242	3,405	90,957	4,087,769
-	-	-	255
-	-	-	6,918
75,242	3,405	90,957	4,094,942
-	-	18,308	145,055
15,528,991	6,338,603	3,598,513	37,909,839
-	-	146,201	3,764,163
-	-	-	1,386,509
15,528,991	6,338,603	3,763,022	43,205,566
$ 15,604,233	$ 6,342,008	$ 3,853,979	$ 47,300,508

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		**$ 43,205,566**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 297,843,879	
Accumulated depreciation is	(31,549,916)	
Net Capital Assets		266,293,963
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,569,263)
Deferrals resulting from pension adjustments and changes in the net pension liabilities do not require the use of current resources and therefore are not recorded on the governmental funds.		20,487,270
The difference between projected and actual pension plan investments earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(1,207,246)
Deferrals resulting from OPEB adjustments and changes in the net pension liabilities do not require the use of current resources and therefore are not recorded on the governmental funds.		59,375
The difference between projected and actual OPEB plan investments earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(179,318)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		2,101,336

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

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

Long-term obligations, including general obligation bonds, are not due and payable in the current period and, therefore, are not reported as obligations in the funds.

Long-term obligations at year-end consist of:		
Community Facilities District Bonds	125,490,000	
General obligation bonds	56,000,000	
Construction Loan	39,935,662	
Accumulated Vacation	144,469	
Premium, net of amortization	6,581,553	
Discount, net of amortization	(736,928)	
Total/Net OPEB Liability	3,806,435	
Net pension liability	37,565,438	
Total Long-Term Obligations		(268,786,629)
Total Net Position - Governmental Activities		**$ 60,405,054**

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

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

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

	General Fund	Building Fund	County School Facilities Fund
REVENUES			
LCFF sources	$ 38,240,424	$ -	$ -
Federal sources	1,015,638	-	-
Other State sources	3,956,157	-	10,815,703
Other local sources	1,253,661	265,835	32,388
Total Revenues	44,465,880	265,835	10,848,091
EXPENDITURES			
Current			
Instruction	27,181,738	-	-
Instruction-related activities:			
Supervision of instruction	2,179,816	-	-
Instructional library, media and technology	1,088,374	-	-
School site administration	2,937,245	-	-
Pupil services:			
Home-to-school transportation	132,877	-	-
Food services	1,040	-	-
All other pupil services	2,568,368	-	-
Administration:			
All other administration	2,391,953	-	-
Data Processing Services	546,727	-	-
Plant services	4,430,162	-	-
Facilities acquisition and construction	398,222	11,456,859	9,651,365
Ancillary services	1,539,916	-	-
Community services	-	-	-
Other outgo	661,500	-	-
Debt service			
Principal	32,385	-	-
Interest and other	1,394	-	-
Issuance costs and discounts	-	-	-
Total Expenditures	46,091,717	11,456,859	9,651,365
Excess (Deficiency) of Revenues Over Expenditures	(1,625,837)	(11,191,024)	1,196,726
Other Financing Sources (Uses)			
Transfers in	-	-	-
Other sources	-	-	-
Transfers out	(125,255)	-	-
Net Financing Sources (Uses)	(125,255)	-	-
NET CHANGE IN FUND BALANCES	(1,751,092)	(11,191,024)	1,196,726
Fund Balance - Beginning as previously reported	7,336,816	21,928,432	55,092
Restatements	-	-	-
Fund Balance - Beginning as restated	7,336,816	21,928,432	55,092
Fund Balance - Ending	$ 5,585,724	$ 10,737,408	$ 1,251,818

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

Capital Project Fund for Blended Component Unit	Debt Service Fund for Blended Component Unit	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 168,000	$ 38,408,424
-	-	586,282	1,601,920
-	-	41,744	14,813,604
4,281,348	8,224,053	8,340,732	22,398,017
4,281,348	8,224,053	9,136,758	77,221,965
-	-	-	27,181,738
-	-	-	2,179,816
-	-	-	1,088,374
-	-	-	2,937,245
-	-	-	132,877
-	-	1,468,353	1,469,393
-	-	-	2,568,368
-	-	217,312	2,609,265
-	-	-	546,727
-	-	291,588	4,721,750
32,473,147	-	978,254	54,957,847
-	-	-	1,539,916
-	-	-	-
-	-	-	661,500
-	1,665,000	3,668,707	5,366,092
271,662	5,114,276	2,370,578	7,757,910
6,351,236	-	-	6,351,236
39,096,045	6,779,276	8,994,792	122,070,054
(34,814,697)	1,444,777	141,966	(44,848,089)
-	-	125,255	125,255
-	-	-	-
-	-	-	(125,255)
-	-	125,255	-
(34,814,697)	1,444,777	267,221	(44,848,089)
47,400,995	4,893,826	3,495,801	85,110,962
2,942,693	-	-	2,942,693
50,343,688	4,893,826	3,495,801	88,053,655
$ 15,528,991	$ 6,338,603	$ 3,763,022	$ 43,205,566

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

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

Net Change in Fund Balances - Governmental Funds		**$ (44,848,089)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses are shown in the statement of activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (4,501,564)	
Capital outlay	54,461,163	
		49,959,599
Increases in the liability for other postemployment benefits (OPEB) are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. Decreases to the liability are reported as expenditures in governmental funds, however, the payments reduce the long-term liability in the statement of net position.		(739,623)
In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		(65,314)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net position and does not affect the statement of activities.		5,408,324
Bond premiums are revenue in the governmental funds in the year bonds are issued, but are recorded as a long-term liability and amortized over the term of the bonds, in the statement of net position.		285,528
Bond discounts are expensed in the governmental funds in the year bonds are issued, but are recorded as a long-term liability and amortized over the term of the bonds, in the statement of net position.		(32,735)

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

Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is paid.	(855,635)
An internal service fund is used by the District's management to charge the costs of the property and liability insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	395,199
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year, However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(942,865)
Change in Net Position of Governmental Activities	$ 8,564,389

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 2,093,006
Receivables	8,330
Total Current Assets	2,101,336
LIABILITIES	
Current Liabilities	
Accounts Payable	-
Total Current Liabilities	-
NET POSITION	
Unrestricted	2,101,336
Total Net Position	$ 2,101,336

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2018

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Self-insurance premiums	$ 406,940
OPERATING EXPENSES	
Contract service and operating expenses	42,008
Operating Income (Loss)	364,932
NONOPERATING REVENUES (EXPENSES)	
Interest income	30,267
Change in Net Position	395,199
Total Net Position - Beginning	1,706,137
Total Net Position - Ending	$ 2,101,336

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
JUNE 30, 2018

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from premiums	$ 398,610
Cash paid for supplies and operating expenses	(42,008)
Net Cash Used by Operating Activities	356,602
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	30,267
Net Increase in Cash and Cash Equivalents	386,869
Cash and Cash Equivalents - Beginning	1,706,137
Cash and Cash Equivalents - Ending	$ 2,093,006
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	$ 364,932
Change in operating assets and liabilities:	
Increase in accounts receivable	(8,330)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 356,602

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

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

		Agency Funds
ASSETS		
Deposits and investments	$	368,151
Total Assets		368,151
LIABILITIES		
Due to student groups		368,151
Total Liabilities	$	368,151

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Lammersville Unified School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Trustees (the "Board") elected by registered voters of the District, which comprises an area in southern San Joaquin. The District was established in 1876 and serves students in grades K-12. The District operated five elementary schools and one high school during the year ended June 30, 2018.

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

Component Units

Component units are legally separate organizations for which the District is financially responsible. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The Community Facilities District No. 2002 (CFD) was formed under the provisions of the Mello-Roos Community Facilities act of 1982, and was amended by Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California established April 24, 2002. For financial presentation, the CFD’s financial activity has been blended or combined with the financial data for the District. The financial statements present the CFD’s financial activity within the Capital Projects and Debt Service for Blended Component Units. Individually prepared financial statements are not prepared for the CFD.

Other Related Entities

Public Entity Risk Pools and Joint Powers Authorities The District is associated with four joint power agencies. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

San Joaquin County School Workers' Compensation Insurance Group
San Joaquin County Schools Property and Liability Insurance Group
San Joaquin County Data Processing Group
San Joaquin Health Insurance

Basis of Presentation

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

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

Major Governmental Funds

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

Capital Project Funds The Capital Project Funds are used to account for the acquisition and/or construction of all major governmental fixed assets. The District maintains the following capital project funds:

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

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

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facility District and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for, and the debt service payments related to, the District's debt issuances.

Debt Service Fund for Blended Component Unit The Debt Service Fund is used to account for debt service purposes of the Community Facilities District.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains the following special revenue funds:

Cafeteria Fund The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project Funds are used to account for the acquisition and/or construction of all major governmental fixed assets. The District maintains the following capital project funds:

Capital Facilities Fund The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

Special Reserve Capital Outlay Fund The Special Reserve Fund was used to account for funds set up for Board designated construction projects.

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for, and the debt service payments related to, the District's debt issuances.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the payment of bonds issued for a District (Education Code Sections 15125-15262).

Proprietary Funds Proprietary Fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a property and liability self-insurance fund that is accounted for in an internal service fund.

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

Basis of Accounting – Measurement Focus

Government-Wide Financial Statements The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identified the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

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

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

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined "available for districts" as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain gains, and other local sources.

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Stores Inventory

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by nonspendable fund balance which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's cafeteria inventory valuation is First-in-First-out (FIFO).

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid. The District did not have any prepaid expenditures to report as of June 30, 2018.

Capital Assets and Depreciation

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

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: land, 20 years; buildings and improvements, 7-50 years; equipment, 5-20 years; and vehicles, 8 years.

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method.

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balance Reporting

The District reports fund balance within one of the following categories:

Nonspendable such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Committed Fund Balance Policy For funds that are determined to fall within the "Committed Fund Balance" classification, the Governing Board, as the District's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specific use through the same type of formal action taken to establish the commitment. Governing Board action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30th; however, the amount can be determined with the release of the financial statements.

Assigned Fund Balance Policy Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The District delegates the authority to assign amounts to be used for specific purposes to the Chief Business Official for the purpose of reporting these amounts in the financial statements.

Minimum Fund Balance Policy The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 3 percent of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California.

Order of Fund Balance Spending Policy For which amounts in any of the unrestricted fund balance classifications could be used, the District's policy is to apply expenditures in the following order: committed, assigned, and then unassigned.

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are in district premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

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

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for financial statements for periods beginning after June 15, 2017.

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

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

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

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

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

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

New Accounting Pronouncements

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements.* The primary objective of this statement is to improve the information that is disclosed in notes to the government financial statement related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89 – In June 2017, GASB issued Statement No. 89, *Accounting for interest Cost Incurred before the End of a Construction Period.* The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of construction period. This statement is effective for reporting periods beginning after December 15, 2019.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 45,700,573
Self Insurance fund	2,093,006
Fiduciary funds	368,151
Total Deposits and Investments	$ 48,161,730

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

Cash on hand and in banks	$ 446,595
Cash in revolving accounts	15,000
Cash with fiscal agent	15,323,286
Investments	32,376,849
Total Deposits and Investments	$ 48,161,730

Policies and Practices

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Joaquin County Investment Pool.

Fair Value Measurements

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

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

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

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

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

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District’s portfolio is present in the following schedule:

Investment Type	Fair Value	Days to Maturity
San Joaquin County Investment Pool	$ 32,007,753	482 days
BNY - Mellon	15,323,286	Less then 12 months
	$ 47,331,039	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Minimum Legal Rating	Rating June 30, 2018	Fair Value
San Joaquin County Investment Pool	Not Required	Unrated	$ 32,007,753
BNY - Mellon	Not Required	A-1+	15,323,286
			$ 47,331,039

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local government units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was $15,108,124 with a carrying amount of $15,120,511.

Custodial Credit Risks – Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments of collateral securities that are in possession of an outside party. The *California Government Code* and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

NOTE 3 – RECEIVABLES

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

	General Fund	Building Fund	County Schools Facilities Fund	Capital Project Fund for Blended Component Unit
Federal Government				
Categorical aid	$ 597,086	$ -	$ -	$ -
State Government				
Apportionment	464	-	-	-
Categorical aid	-	-	-	
Other State	501,011	-	-	-
Local Government				
Interest	33,912	48,307	8,165	2,844
Other Local Sources	79,916	-	-	68,103
Total	$ 1,212,389	$ 48,307	$ 8,165	$ 70,947

	Debt Service Fund for Blended Component Unit	Non-Major Governmental Funds	Total	Self Insurance Funds
Federal Government				
Categorical aid	$ -	$ 1,431	$ 598,517	-
State Government				
Apportionment	-	-	464	-
Categorical aid		-	-	-
Other State	-	146	501,157	-
Local Government				
Interest	25,702	13,100	132,030	8,330
Other Local Sources		89,438	237,457	-
Total	$ 25,702	$ 104,115	$ 1,469,625	$ 8,330

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 1,541,705	$ -	$ -	$ 1,541,705
Construction in Progress	34,793,527	35,123,836	32,776,215	37,141,148
Total Capital Assets Not Being Depreciated	36,335,232	35,123,836	32,776,215	38,682,853
Capital Assets Being Depreciated:				
Land Improvements	2,989,528	188,264	-	3,177,792
Buildings and Improvements	200,160,625	51,079,921	-	251,240,546
Furniture and Equipment	3,897,331	845,357	-	4,742,688
Total Capital Assets Being Depreciated	207,047,484	52,113,542	-	259,161,026
Total Capital Assets	243,382,716	87,237,378	32,776,215	297,843,879
Less Accumulated Depreciation:				
Land Improvements	1,915,751	145,393	-	2,061,144
Buildings and Improvements	23,454,064	4,147,840	-	27,601,904
Furniture and Equipment	1,678,537	208,331	-	1,886,868
Total Accumulated Depreciation	27,048,352	4,501,564	-	31,549,916
Governmental Activities Capital Assets, Net	$ 216,334,364	$ 82,735,814	$ 32,776,215	$ 266,293,963

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

Governmental Activities	
Instruction	$ 4,386,641
School Site Adminstration	552
All Other General Adminstration	20,669
Data Processing	93,702
	$ 4,501,564

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2018 consist of the following:

Transfer Out	Transfer In: General Fund	Transfer In: Non-Major Governmental Fund	Total
General Fund	$ -	$ 125,255	$ 125,255
Non-Major Governmental Fund	-	-	-
			$ 125,255

The General Fund transferred to the Cafeteria Fund for expenses	$ 255
The General Fund transferred to the Special Reserve for Capital Outlay for construction.	125,000
Total	$ 125,255

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt services from the funds collecting the receipts to the debt service fund as debt services payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

NOTE 6 – ACCOUNTS PAYABLE

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

	General Fund	Building Fund	County Schools Facilities Fund	Capital Project Fund for Blended Component Unit	Debt Service Fund for Blended Component Unit	Other Non-Major Funds	Total
Vendor payables	$ 1,929,353	$ 2,187	$ -	$ 75,242	$ 3,405	$ 62,655	$ 2,072,842
Apportionment	270,880	-	-		-	-	270,880
Construction	-	323,059	154,324	-	-	17,427	494,810
Salaries and benefits	1,238,362	-	-	-	-	10,875	1,249,237
Total	$ 3,438,595	$ 325,246	$ 154,324	$ 75,242	$ 3,405	$ 90,957	$ 4,087,769

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2018, consists of the following:

	General Fund
Federal categorical aid	$ 6,918

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

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

	(As Restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
Community Facilities District Bonds	$ 127,229,617	$ -	$ 1,739,617	$ 125,490,000	$ 1,654,367
General Obligation Bonds	56,000,000	-	-	56,000,000	-
Construction Loan	43,604,369	-	3,668,707	39,935,662	-
Accumulated Vacation	79,155	65,314	-	144,469	-
Net OPEB liability	3,186,755	643,660	23,980	3,806,435	-
Net Pension Liability	28,549,525	9,015,913	-	37,565,438	-
	$ 258,649,421	$ 9,724,887	$ 5,432,304	$ 262,942,004	$ 1,654,367
Premium, net of Amortization	6,867,081	-	285,528	6,581,553	285,528
Discount, net of Amortization	(769,663)	-	(32,735)	(736,928)	(32,735)
	$ 264,746,839	$ 9,724,887	$ 5,685,097	$ 268,786,629	$ 1,907,160

Bonds

The outstanding General Obligation Bonded debt at June 30, 2018 is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Accretion/ Issued	Redeemed	Bonds Outstanding June 30, 2018
11/15/2016	8/1/2046	3.00%-5.00%	$56,000,000	$ 56,000,000	$ -	$ -	$ 56,000,000

General Obligation Bonds

On November 15, 2016 the District issued General Obligation Bonds 2016 Election, Series A, in the amount of $56,000,000 for the purpose of financing school facilities, property and equipment. The Bonds have a variable interest rate of 3.00 percent - 5.00 percent and matures on August 1, 2046.

The outstanding Community Facilities District Bonded debt at June 30, 2018 is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Accretion/ Issued	Redeemed	Bonds Outstanding June 30, 2018
7/17/2008	9/1/2038	3.5%-6.5%	1,895,000	$ 1,645,000	$ -	$ 40,000	$ 1,605,000
6/21/2012	9/1/2032	0.00%-5.375%	24,352,914	27,604,617	-	954,617	26,650,000
2/7/2013	9/1/2037	2.00%-5.00%	19,565,000	15,455,000	-	15,000	15,440,000
9/8/2013	9/1/2043	3.00%-6.00%	22,910,000	22,795,000	-	35,000	22,760,000
5/18/2017	9/1/2035	2.00%-5.00%	25,580,000	25,580,000	-	695,000	24,885,000
6/13/2017	9/1/2047	2.00%-5.00%	34,150,000	34,150,000	-	-	34,150,000
				$ 127,229,617	$ -	$ 1,739,617	$ 125,490,000

Special Tax Bonds

On July 17, 2008, the District, through the Community Facilities District, issued Special Tax Bonds (Bonds) in the amount of $1,895,000 for the purpose of financing acquisition and construction of certain elementary school facilities to be owned and operated by the School District. The issuance was composed of $565,000 Current Interest Serial Bonds and two term bonds of $315,000 and $1,015,000. The Current Interest Serial Bonds accrue interest up to a maximum of 6 percent per annum from the date of issuance and are payable semiannually on March 1 and September 1 of each year, commencing March 1, 2009. The Term Bonds accrue interest up to a maximum of 6.4 percent and 6.625 percent, respectively, per annum from the date of issuance and compound semiannually on March 1 and September 1 of each year, commencing on March 1, 2009.

On June 21, 2012, the District, through the Community Facilities District, issued Special Tax Refunding Bonds in the amount of $24,352,914 for the purpose of refunding the outstanding Special Tax Bonds issued on September 12, 2002. The Bonds are initially issued as Convertible Capital Appreciation Bonds and will accrete interest until their conversion date on September 1, 2015. After the conversion date, the Bonds will accrue interest up to a maximum of 5.3 percent payable semiannually on March 1 and September 1 of each year commencing on March 1, 2016.

On February 7, 2013, the District, through the Community Facilities District, issued Special Tax Bonds (Bonds) in the amount of $19,565,000 for the purpose of financing acquisition and construction of certain public school facilities and improvements to be owned and operated by the School District. The issuance was composed of $6,955,000 Current Interest Serial Bonds and one term bond of $12,610,000. The Current Interest Serial Bonds accrue interest up to a maximum of 4.25 percent per annum from the date of issuance and are payable semiannually on March 1 and September 1 of each year, commencing September 1, 2013. The Term Bond accrue interest up to a maximum of 5.0 percent per annum from the date of issuance and compound semiannually on March 1 and September 1 of each year commencing September 1, 2013.

On September 18, 2013, the District, through the Community Facilities District, issued Special Tax Bonds (Bonds) in the amount of $22,910,000 for the purpose of (i) repaying a developer of property in Improvement Area No. 1 for its advance of the costs of acquiring and constructing Questa Elementary School and related costs and expenses, and finance the acquisition and construction of certain public school facilities and improvements to be owned and operated by the District, (ii) funding a reserve fund for the Bonds, and (iii) paying the costs of issuing the Bonds. The issuance was composed of $6,790,000 Current Interest Serial Bonds and two Term Bonds for $6,005,000 and $10,115,000. The Current Interest Serial Bonds accrue interest up to a maximum of 5.75% on March 1 and September 1 of each year commencing March 1, 2014. The Term Bonds accrue interest up to a maximum of 6% per annum from the date of issuance and compound semiannually on March 1 and September of each year commencing March 1, 2014.

On May 18, 2017 the District, through the Community Facilities District, issued Special Tax Bonds (Bonds) in the amount of $25,580,000 for the purpose (i) refund in full the outstanding Special Tax Bonds, Series 2006, (ii) finance the acquisition and construction of certain public school facilities and improvements to be owned and operated by the District, (iii) provided a debt service reserve for the 2017 Bonds through the purchase of a municipal bond debt service reserve insurance policy, and (iv) pay the cost of issuing the 2017 Bonds. The Bonds accrue interest up to a maximum of 5 percent per annum from the date of issuance are payable semiannually on March 1 and September 1 of each year commencing September 1, 2017.

On June 13, 2017 the District, through the Community Facilities District, issued Special Tax Bonds (Bonds) in the amount of $34,150,000 for the purpose (i) finance the acquisition and construction of certain public school facilities and improvements to be owned and operated by the District, (ii) capitalized interest with respect to the 2017 Bonds for a limited period, (iii) fund a debt service reserve fund for the 2017 Bonds, and (iv) pay the cost of issuing the 2017 Bonds. The Bonds accrue interest up to a maximum of 5 percent per annum from the date of issuance are payable semiannually on March 1 and September 1 of each year commencing September 1, 2017.

Debt Service Requirements to Maturity

The General Obligation Bonds mature through 2047 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	-	2,367,100	2,367,100
2020	-	2,367,100	2,367,100
2021	-	2,367,100	2,367,100
2022	-	2,367,100	2,367,100
2023	150,000	2,367,100	2,517,100
2024-2028	2,115,000	11,698,400	13,813,400
2029-2033	6,060,000	10,857,750	16,917,750
2034-2038	11,005,000	8,841,350	19,846,350
2039-2043	16,720,000	6,123,400	22,843,400
2044-2047	19,950,000	2,079,000	22,029,000
Total	$ 56,000,000	$ 51,435,400	$ 107,435,400

The Community Facilities District Bonds mature through 2048 as follows:

Fiscal Year		Principal	Interest to Maturity	Total
2019		1,654,367	7,048,474	8,702,841
2020		1,849,805	7,080,343	8,930,148
2021		2,065,563	7,099,103	9,164,666
2022		2,271,668	7,107,881	9,379,549
2023		2,525,262	7,112,321	9,637,583
2024-2028		17,132,757	35,303,921	52,436,678
2029-2033		26,585,282	33,875,326	60,460,608
2034-2038		34,880,000	13,456,038	48,336,038
2039-2043		17,890,000	6,943,675	24,833,675
2044-2048		14,810,000	4,316,500	19,126,500
Total		$ 121,664,704	$ 129,343,582	$ 251,008,286
	Accretion to Date	3,825,296		
		$ 125,490,000		

Construction Loan

On July 7, 2012, in accordance with the Shortfall Assurance Agreement between the District and Shea Mountain House, LLC (SMH), the District received a loan of $52 million for the construction of Mountain House High School. There is no debt service maturity schedule as any SMH shortfall funding advances will be reimbursed per the School Facilities Mitigation Agreement, from state construction received by the district, subsequent CFD Bond sale, or developer fees collected from housing permits within the Mountain House Community. Interest is calculated using the Interest Rate Index.

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to $144,469.

Net Other Post Employment Benefit (OPEB) Liability

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

OPEB Plan	Net OPEB Liability	Deferred Outflow of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 3,593,202	$ 59,375	$ 179,318	$ 893,524
Medicare Premium Payment (MPP) Program	213,233	-	-	(8,120)
	$ 3,806,435	$ 59,375	$ 179,318	$ 885,404

See Note 10 for additional details.

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NOTE 9 – FUND BALANCES

Fund balances with reservations and designations are composed of the following elements:

	General Fund	Building Fund	County Schools Facilities Fund	Capital Project Fund for Blended Component Unit
Fund Balances				
Nonspendable:				
Revolving cash	$ 15,000	$ -	$ -	$ -
Stores	-	-	-	-
Prepaid expenditures	47,812	63,935	-	-
Restricted for:				
Purpose of fund	518,441	10,673,473	1,251,818	15,528,991
Assigned to:				
LCAP Discretionary	42,000	-	-	-
Stipends, Retro 7/1/2017	125,000	-	-	-
Supplemental - LCFF	293,701	-	-	-
Hansen Elementary Start-Up	147,500	-	-	-
MHHS CTE Start Up	70,000	-	-	-
Learning Commons	67,944	-	-	-
Mid-Yr Growth FTE	150,000	-	-	-
Math Adoption 4-8	165,390	-	-	-
NGSS Science Textbooks	350,000	-	-	-
Social Science Texbooks	300,000	-	-	-
Affordable Care Res/Prop/Inst.	40,000	-	-	-
Sustainability for unforseeable	77,200			
Technology Sustainability (Growth)	1,218,172	-	-	-
Mandated One-time Allocation	178,013	-	-	-
MAA Program	55,152	-	-	-
School Safety	10,824	-	-	-
Supplemental - RS 0709	33,726	-	-	-
Inst. Materials Realighnment	117,113	-	-	-
Bus Sal/Salvage Proceeds	31,484	-	-	-
Other Assigned	144,743	-	-	-
Unassigned:				
Reserve for Economic Uncertainty	1,386,509	-	-	-
Total Fund Balance	$ 5,585,724	$ 10,737,408	$ 1,251,818	$ 15,528,991

Debt Service Fund for Blended Component Unit	Non-Major Governmental Funds	Total
$ -	$ -	$ 15,000
-	16,208	16,208
-	2,100	113,847
6,338,603	3,598,513	37,909,839
-	-	42,000
-	-	125,000
-	-	293,701
-	-	147,500
-	-	70,000
-	-	67,944
-	-	150,000
-	-	165,390
-	-	350,000
-	-	300,000
-	-	40,000
		77,200
-	-	1,218,172
-	-	178,013
-	-	55,152
-	-	10,824
-	-	33,726
-	-	117,113
-	-	31,484
-	146,201	290,944
		-
-	-	1,386,509
$ 6,338,603	$ 3,763,022	$ 43,205,566

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE)

Plan Description

Plan administration. The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Lammersville Unified School District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses.

Coverage is available for employees who retire from the District under the applicable retirement system (CalPERS or CalSTRS). Employees who retire prior to completing the additional age and service requirements below are eligible to continue their District health coverage but are required to the full premium cost. Coverage is also available for retiree dependents, though the retiree is responsible for the full premium cost of their coverage as well. Coverage (though not District paid premiums) are available for Certificated and Board members for their lifetime. Coverage under District's plans end for all others (Classified and unrepresented members) when the retiree reaches age 65.

	Board	Represented Certificated	Represented Classified	Represented Non-Mgmt	Represented Management
Benefit Types Provided	Medical, Dental and Vision				
Duration of Benefits	To Age 65	To Age 65	To Age 65	To Age 65	To Age 65
Required Service	12 Years	12 Years	15 years	12 Years (assumed)	12 Years (assumed)
Minimum Age	None	55	55	55	55
Dependent Coverage	None	None	None	None	None
District Contribution %	0%	See Vesting table	70% of active cap	100% (assumed)	100% (assumed)
District Cap for Actives	None	$12,492 per year	$10,293 per year	$13,746 per year	$15,300 per year
District Cap for Retirees	$0	Vested % of active cap	$7,205 per year	$13,746 per year	$15,300 per year

Plan membership – At June 30, 2018, membership consists of the following:

Participating Group	Number of Participants
Retired	2
Active	431
	433

Contribution Information

The District Contributions to the Plan occur as benefits are paid to or on behalf of retirees. Benefit payments may occur in the form of direct payments for premiums and taxes ("explicit subsidies") and/or indirect payments to retirees in the form of higher premiums or active employees ("implicit subsidies").

The District made employer contributions in the form of direct benefit payments of $42,008 with an implicit contribution of $17,367 totaling $59,375 employer contribution for fiscal year end.

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

At June 30, 2018, the District reported a liability of $3,593,202 for its total OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of June 30, 2017. Standard actuarial procedures were used to project/discount from valuation to measurement dates.

For the year ending June 30, 2018, the District recognized OPEB expense of $893,524. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 179,318
Contributions subsequent to measurement date	59,375	-
Total	$ 59,375	$ 179,318

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	$ (17,737)
2020	(17,737)
2021	(17,737)
2022	(17,737)
2023	(17,737)
Thereafter	(90,633)
Total	$ (179,318)

Actuarial Assumptions

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Experience study	July 1, 2016 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	3.13%
Salary Increase	3.25% per year
Assumed Wage inflation	3.00% Component of assumed salary increases
Healthcare Cost Trend Rate	7.50% (effective January 1, 2019) and grade down to 5.00% for years 2024 and thereafter.

Demographic actuarial assumptions used in this valuation are those used in the June 30, 2016 valuation of the retirement plans covering District employees. For CalPERS members, the assumptions are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011; mortality rates used were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008, then projected. For CalSTRS members, the assumptions are based on the June 30, 2011 CalSTRS experience study report.

Changes in the Net OPEB Liability

Total OPEB Liability	Measurement Date 2017
Service Cost	$ 811,413
Interest	99,848
Change of assumptions	(197,055)
Benefit payments	(70,546)
Net change in total OPEB liability	643,660
Total OPEB liability - beginning	2,949,542
Total OPEB liability - ending	$ 3,593,202

Sensitivity of the District's Net OPEB liability to changes in the Discount Rate

The following presents the District's net OPEB liability calculated using the discount rate of 3.13%, as well as what the District's net OPEB liability would be if there were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

Discount Rate	Net OPEB Liability
1% decrease (2.13%)	$ 4,044,139
Current discount rate (3.13%)	$ 3,593,202
1% increase (4.13%)	$ 3,188,903

Sensitivity of the District's Net OPEB liability to Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher:

Healthcare Cost Trend	Liability
1% decrease (6.5% to 4.00%)	$ 2,913,868
Current discount rate (7.5% to 5.00%)	$ 3,593,202
1% increase (8.5% to 6.00%)	$ 4,425,401

Liability changes due to plan experience which differs from what was assumed in the prior year and/or from assumption changes during the year are recognized over the plan's Expected Average Remaining Service Live ("EARSL"). The EARSL period is 11.11 years for deferred resources arising in this fiscal year. GASB 75 requires that changes in the Fiduciary Net Position due to investment performance different from the assumed earnings rate are always recognized over 5 years. Liability changes attributed to benefit changes occurring during the period are recognized immediately.

The District does not participate in an irrevocable trust, however; the District has been setting aside funds into Self Insurance Fund for future payments of OPEB Benefits. As of June 30, 2018, the District has a fund balance of $2,101,336.

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

Contributions

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of $213,233 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 was 0.051 percent. For the year ended June 30, 2018, the District recognized OPEB expense of ($8,120).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

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

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the state treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018 and 2017, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	$ 236,063
Current discount rate (3.58%)	$ 213,233
1% increase (4.58%)	$ 191,025

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

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

Healthcare cost trend rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 192,688
Trend rate (3.7% Part A and 4.1% Part B)	$ 213,233
1% increase (4.7% Part A and 5.1% Part B)	$ 233,572

NOTE 11 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

Coverage provided for property and liability and workers' compensation is as follows:

Insurance Program/Company Name	Type of Coverage	Limits
Statewide Association of Community Colleges Protected Insurance Program for Schools	Workers' Compensation	$1,000,000
	General Liability	$2,000,000 with $150,000 retention
	Automobile	$1,000,000 with $150,000 retention
	Property	$250,250,000 with $100,000 retention
	Student Professional Liability	Included with $5,000 retention

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statement No. 68 and No. 71 for the fiscal year ended June 30, 2018. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share Pension Expense
CalSTRS	$ 29,450,276	$ 16,284,137	$ 1,207,246	$ 2,988,216
CalPERS	8,115,162	4,203,133	-	1,476,585
Total	$ 37,565,438	$ 20,487,270	$ 1,207,246	$ 4,464,801

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

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

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $2,740,395.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 29,450,276
State's proportionate share of the net pension liability associated with the District	17,422,534
	$ 46,872,810

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District’s proportionate share for measurement period June 30, 2017 and June 30, 2016, respectively, was .0318 percent and 0.0268 percent, resulting in a net increase in the proportionate share of 0.0050 percent.

For the year ended June 30, 2018, the District recognized pension expense of $2,988,216. In addition, the District recognized pension expense and revenue of $1,416,818 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 784,344
Differences between expected and actual experiences	-	422,902
Changes in assumptions	5,455,871	-
Changes in proportion and differences between District contributions and proportionate share contributions	8,087,871	-
Pension contributions subsequent to measurement date	2,740,395	-
Total	$ 16,284,137	$ 1,207,246

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	$ (651,868)
2020	493,279
2021	72,288
2022	(698,043)
Total	$ (784,344)

The deferred outflows/(inflows) of resources relate to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2019	$ 2,281,167
2020	2,281,167
2021	2,281,167
2022	2,283,167
2023	2,340,717
Thereafter	1,655,455
Total	$ 13,122,840

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 43,242,354
Current discount rate (7.10%)	$ 29,450,276
1% increase (8.10%)	$ 18,257,069

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk Pool] under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	2.0% - 2.4%
Required employee contribution rate	7.000%	6.5%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $781,541.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $8,115,162. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0340 percent and 0.0274 percent, resulting in a net increase in the proportionate share of 0.0066 percent.

For the year ended June 30, 2018, the District recognized pension expense of $1,476,585. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 280,729	$ -
Differences between expected and actual experience	290,733	-
Change in assumption	1,079,185	-
Changes in proportion and differences between District contributions and proportionate share contributions	1,770,945	-
Pension contributions subsequent to measurement date	781,541	-
Total	$ 4,203,133	$ -

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	$ (7,607)
2020	323,900
2021	118,162
2022	(153,726)
Total	$ 280,729

The deferred outflows/(inflows) of resources relate to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	$ 1,215,949
2020	1,059,197
2021	865,717
Total	$ 3,140,863

Actuarial Methods and Assumptions

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

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the longterm (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.38%
Global fixed income	19%	2.27%
Private equity	12%	6.63%
Real estate	11%	5.21%
Inflation sensitive	6%	1.39%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 11,940,003
Current discount rate (7.15%)	$ 8,115,162
1% increase (8.15%)	$ 4,942,135

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use social security. Contributions made by the District and an employee vest immediately. The District contributes 6.2% of an employee's gross earnings and employees are required to contribute an additional 6.2% of gross earnings.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $1,416,818 (9.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenue and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculations of available reserves.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

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

The Lammersville Unified School District participates in three joint ventures under joint powers agreements (JPA's): San Joaquin County Schools Workers' Compensation Insurance Group, San Joaquin County Property and Liability Insurance Group, and San Joaquin County Data Processing and one health insurance consortium. The relationship between the Lammersville Unified School District and the JPA's are such that the JPA's are not component units of the Lammersville Unified School District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2018, the District made payments to the risk pools and joint powers agencies as follows:

Joint Power Authority	Payments Made
San Joaquin County Schools Workers' Compensation Insurance Group	$ 495,000
San Joaquin County Property and Liability Insurance Group	283,333
San Joaquin County Data Processing	186,340
Health Insurance Consortium	8,080

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been rested in order to record the District's net OPEB liability and deferred outflows of resources related to OPEB in accordance with GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*

Additionally, beginning net position has been restated by $2,942,693 to correct beginning fund balance for Capital Project Fund for Blended Component Unit (Fund 49). District was able to reconcile and made necessary adjustments to correct prior year finding. Please see prior year finding 2017-1.

As of June 30, 2018, the beginning net position was restated as follows:

	Governmental Activities
Net Position - Beginning , as Previously Reported	$ 51,530,125
Restatement due to GASB 75	(2,632,153)
Restatement to correct Fund 49	2,942,693
Net Position - Beginning as Restated	$ 51,840,665

II - Required Supplementary Information

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts (GAAP Basis)			Variances - Positive (Negative)
	Original	Final	Actual (GAAP Basis)	Final to Actual
REVENUES				
LCFF sources	$ 36,894,854	$ 38,683,981	$ 38,240,424	$ (443,557)
Federal sources	5,005,474	1,145,092	1,015,638	(129,454)
Other State sources	2,053,964	4,525,677	3,956,157	(569,520)
Other local sources	751,701	1,248,235	1,253,661	5,426
Total Revenues	44,705,993	45,602,985	44,465,880	(1,137,105)
EXPENDITURES				
Current				
Certificated salaries	19,376,427	21,044,292	20,535,394	508,898
Classified salaries	4,164,251	4,692,713	4,644,784	47,929
Employee benefits	9,100,411	11,229,005	10,502,069	726,936
Books and supplies	1,878,967	2,846,565	2,474,503	372,062
Services and operating expenditures	5,803,137	7,219,167	6,849,763	369,404
Other outgo	534,234	614,144	630,101	(15,957)
Capital Outlay	5,000	494,177	455,103	39,074
Total Expenditures	40,862,427	48,140,063	46,091,717	2,048,346
Excess (Deficiency) of Revenues Over Expenditures	3,843,566	(2,537,078)	(1,625,837)	911,241
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(125,000)	(125,000)	(125,255)	(255)
Net Financing Sources (Uses)	(125,000)	(125,000)	(125,255)	(255)
NET CHANGE IN FUND BALANCES	3,718,566	(2,662,078)	(1,751,092)	910,986
Fund Balance - Beginning	7,336,816	7,336,816	7,336,816	
Fund Balance - Ending	$ 11,055,382	$ 4,674,738	$ 5,585,724	$ 910,986

See accompanying note to required supplementary information

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

	Measurement Date 2017
Total OPEB Liability	
Service Cost	$ 811,413
Interest	99,848
Change of assumptions	(197,055)
Benefit payments	(70,546)
Net change in total OPEB liability	643,660
Total OPEB liability - beginning	2,949,542
Total OPEB liability - ending	$ 3,593,202
Plan fiduciary net position	
Contributions - employer	$ 70,546
Net investment income	-
Benefit payments	(70,546)
Net change in plan fiduciary net position	-
Plan fiduciary net postion - beginning	-
Plan fiduciary net position - ending	$ -
Net OPEB liability - ending	$ 3,593,202
Covered payroll	$ 21,222,740
Net OPEB liability (asset) as a percentage of covered payroll	16.93%

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

See accompanying note to required supplementary information

LAMMERSVILLE ELEMENTARY SCHOOL DISTRICT

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

OPEB	2018
Actuarial determined contribution	$ 652,728
Contributions in relation to the actuarially determined contribution	59,375
Contribution deficiency (excess)	$ 593,353
Covered-employee payroll	$24,384,388
Contribution as a percentage of covered-employee payroll	0.24%

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

See accompanying note to required supplementary information

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

	2018
District's proportion of the net OPEB liability	0.051%
District's proportionate share of the net OPEB liability	$ 213,233
District's covered employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total pension liability	0.01%

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

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

See accompanying note to required supplementary information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, 2018

	Measurement Date			
CalSTRS	**2017**	**2016**	**2015**	**2014**
Proportion of the net pension liability	0.0318%	0.0268%	0.0255%	0.0190%
District's proportionate share of the net pension liability	$ 29,450,276	$ 23,135,786	$ 17,196,858	$ 11,115,832
State's proportionate share of the net pension liability associated with the District	17,422,534	13,170,791	9,095,242	6,713,963
Total	$ 46,872,810	$ 36,306,577	$ 26,292,100	$ 17,829,795
District's covered employee payroll	$ 17,211,903	$ 14,449,988	$ 11,842,861	$ 8,273,200
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	171%	160%	145%	134%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
Proportion of the net pension liability	0.0340%	0.0274%	0.0245%	0.0200%
District's proportionate share of the net pension liability	$ 8,115,162	$ 5,413,739	$ 3,608,795	$ 2,270,487
District's covered employee payroll	$ 4,262,503	$ 3,288,228	$ 2,710,448	$ 2,096,775
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	190%	165%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Note: Fiscal year 2015 was the first year of implementation, therefore only four years are shown. As data becomes available, ten years of information will be presented

See accompanying note to required supplementary information

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
AS OF JUNE 30, 2018

CalSTRS	**2018**	**2017**	**2016**	**2015**
Contractually required contribution (actuarially determined)	$ 2,740,395	$ 2,165,219	$ 1,549,448	$ 1,051,504
Contributions in relation to the actuarially determined contribution	2,740,395	2,165,219	1,549,448	1,051,504
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$18,998,851	$17,211,903	$14,449,988	$11,842,861
Contribution as a percentage of covered-employee payroll	14.42%	12.58%	10.72%	8.88%

CalPERS				
Contractually required contribution (actuarially determined)	$ 781,541	$ 591,961	$ 389,557	$ 319,051
Contributions in relation to the actuarially determined contribution	781,541	591,961	389,557	319,051
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$5,040,220	$4,262,503	$3,288,228	$2,710,448
Contribution as a percentage of covered-employee payroll	15.51%	13.89%	11.85%	11.77%

Note: Fiscal year 2015 was the first year of implementation, therefore only four years are shown. As data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

Change in Benefit Terms **-** There were no changes in benefit terms since the previous valuation for other postemployment benefits.

Change of Assumptions **-** There were no change in assumptions since the previous valuation for other postemployment benefits.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

Schedule of District’s Contributions for OPEB

A 10-year schedule presenting for each year the information indicated in subparagraphs (1)–(6), if an actuarially determined contribution is calculated for employers or nonemployer contributing entities. The schedule should identify whether the information relates to the employers, nonemployer contributing entities, or both.

Schedule of Annual Money-Weighted Rate of Return on OPEB Plan Investment

This 10-year schedule is required by GASB Statement No. 74/75. A 10-year schedule presenting for each fiscal year the annual money-weighted rate of return on OPEB plan investments calculated as required by paragraph 34b(3) should be presented in required supplementary information.

As of June 30, 2018, the district did not participate in an irrevocable trust, therefore the Schedule of Annual Money-Weighted Rate of Return on OPEB Plan Investment is not applicable and not presented.

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

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

> ***Changes in Benefit Terms* -** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
>
> ***Changes of Assumptions* -** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District's Contributions for Pensions

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

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III - Supplementary Information

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LAMMERSVILLE UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education:			
Title I - Part A, Basic Grants Low Income and Neglected	84.010	14329	$ 257,074
Title II - Improving Teacher Quality	84.367	14341	34,711
Title III - Immigrant Education Program	84.365	15146	1,367
Title III - Limited English Proficient Student Program	84.365	14346	52,974
Vocational Programs, Secondary I C	84.048	14894	10,690
Individuals with Disabilities Education Act (IDEA) Cluster			
IDEA, Basic Local Assistance Entitlement, Part B	84.027	13379	497,076
IDEA, Preschool Grant, Part B	84.173	13430	12,131
IDEA, Preschool Local Entitlement, Part B	84.027A	13682	55,952
IDEA, Basic Local Assistance Part B, Private School	84.027	10115	3,988
Subtotal Individuals with Disabilities Education Act (IDEA) Cluster			569,147
Total U.S. Department of Education			925,963
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	426,426
School Breakfast Program	10.553	13526	64,831
Commodities Entitlement	10.565	13391	95,025
Total U.S. Department of Agriculture			586,282
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-cal Administrative Activities	93.778	10060	72,935
Medical Billing Option	93.778	10013	27,148
Total U.S. Department of Health and Human Services			100,083
Total Expenditures of Federal Awards			$ 1,612,328

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
FOR THE YEAR ENDED JUNE 30, 2018

ORGANIZATION

Lammersville Elementary School District was established in 1876 and is comprised of an area of approximately 27 square miles located in San Joaquin County. On January 25, 2011 the California State Superintendent of Public Instruction approved the reorganization of Lammersville Unified School District. There were no changes in the boundaries of the District in the current year. The District operated five elementary schools and one high school during the year ended June 30, 2018.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
David Pombo	President	2020
Sharon Lampel	Clerk	2020
Anne Goodrich	Member	2020
Matthew Balzarini	Member	2018
Colin Clements	Member	2018

ADMINISTRATION

Dr. Kirk Nicholas	Superintendent
Thorsten Harrison	Associate Superintendent
Heather Sherburn	Assistant Superintendent
Alvina Keyser	Chief Business Official

See accompanying note to supplementary information.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

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

	Second Period Report	Annual Report
ELEMENTARY		
Transitional Kindergarten/Kindergarten through third	1,602.77	1,613.51
Fourth through sixth	1,211.15	1,213.90
Seventh and eighth	739.58	741.04
Extended Year Special Education	1.87	1.87
Special Education - Nonpublic	1.00	0.99
Extended Year Special Education - Nonpublic	0.11	0.11
Total Elementary	3,556.48	3,571.42
SECONDARY		
Ninth through twelfth	1,153.46	1,145.68
Extended Year Special Education	-	-
Special Education - Nonpublic	2.86	3.00
Extended Year Special Education - Nonpublic	0.56	0.56
	1,156.88	1,149.24
	4,713.36	4,720.66

See accompanying note to supplementary information.

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

	1986-87	2017-18	Number of Days		
Grade Level	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	Status
Kindergarten	36,000	63,910	180	N/A	In Compliance
Grades 1-3					
Grade 1	50,400	54,010	180	N/A	In Compliance
Grade 2	50,400	54,010	180	N/A	In Compliance
Grade 3	50,400	54,010	180	N/A	In Compliance
Grades 4-6					
Grade 4	54,000	60,265	180	N/A	In Compliance
Grade 5	54,000	60,265	180	N/A	In Compliance
Grade 6	54,000	60,265	180	N/A	In Compliance
Grades 7-8					
Grade 7	54,000	60,265	180	N/A	In Compliance
Grade 8	54,000	60,265	180	N/A	In Compliance
Grades 9-12					
Grade 9	64,800	64,834	180	N/A	In Compliance
Grade 10	64,800	64,834	180	N/A	In Compliance
Grade 11	64,800	64,834	180	N/A	In Compliance
Grade 12	64,800	64,834	180	N/A	In Compliance

See accompanying note to supplementary information.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

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

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

FORM DEBT		
Total Liabilities, June 30, 2018, Unaudited Actuals	$	250,748,874
Increase in:		
Net Pension Liability		9,015,913
Premium, net of Amortization		6,581,553
Discounts, net of Amortization		(736,928)
Net OPEB Liability		3,251,834
Decrease in:		
Other Long-Term Debt		(74,617)
Total Liabilities, June 30, 2018, Audited Financial Statements	$	268,786,629
FORM ASSET		
Total Capital Assets, June 30, 2018, Unaudited Actuals	$	89,204,772
Increase in:		
Work in Progress		23,750,842
Land and Building Improvements		171,592,862
Equipment		2,919,452
Accumulated Depreciation		(21,173,965)
Total Capital Assets, June 30, 2018, Audited Financial Statements	$	266,293,963

See accompanying note to supplementary information.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

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

	(Budget) 2019 [1]	2018	(As Restated) 2017	2016
GENERAL FUND				
Revenues	$ 50,150,774	$ 44,465,880	$ 40,399,480	$ 35,823,160
Other sources and transfers in	-	-	2,245	
Total Revenues	50,150,774	44,465,880	40,401,725	35,823,160
Expenditures	49,302,450	46,091,717	40,040,194	32,921,402
Other uses and transfers out	125,000	125,255	125,000	130,037
Total Expenditures and Other Uses	49,427,450	46,216,972	40,165,194	33,051,439
INCREASE (DECREASE) IN FUND BALANCE	$ 723,324	$ (1,751,092)	$ 236,531	$ 2,771,721
ENDING FUND BALANCE	$ 6,309,048	$ 5,585,724	$ 7,336,816	$ 7,100,285
AVAILABLE RESERVES [2]	$ 1,569,409	$ 1,386,509	$ 1,847,174	$ 2,091,031
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.18%	3.00%	4.60%	6.33%
LONG-TERM OBLIGATIONS	$266,879,469	$268,786,629	$264,746,839	$158,756,636
K-12 AVERAGE DAILY ATTENDANCE AT P-2	5,023	4,713	4,403	3,925

The General Fund balance has decreased by $1,514,561 over the past two years. The fiscal year 2018-2019 budget projects a budget increase of $723,324. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in two of the past three years and anticipates incurring an operating surplus during the 2018-2019 fiscal year. The total long-term obligations have increased by $110,029,993 over the past two years.

Average daily attendance has increased by 788 over the past two years. An increase of 310 ADA is anticipated during fiscal year 2018-2019.

1 Budget 2019 is included for analytical purposes only and has not been subjected to audit.
2 Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

See accompanying note to supplementary information.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
JUNE 30, 2018

Name of Charter School	Included in Audit Report
The District does not sponsor any charter schools.	N/A

See accompanying note to supplementary information.

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

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

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 303,258	$ 84,896	$ 1,691,259
Receivables	6,541	85,330	6,923
Prepaid Expenditures	255	-	-
Due from other funds	1,440	-	660
Stores	16,208	-	-
Total Assets	327,702	170,226	1,698,842
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	17,342	24,025	48,840
Total Liabilities	17,342	24,025	48,840
Fund Balances:			
Nonspendable	17,648	-	660
Restricted	292,712	-	1,649,342
Assigned	-	146,201	-
Total Fund Balance	310,360	146,201	1,650,002
Total Liabilities and Fund Balances	$ 327,702	$ 170,226	$ 1,698,842

See accompanying note to supplementary information.

Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 550,472	$ 1,101,416	$ 3,731,301
1,782	3,539	104,115
-	-	255
-	-	2,100
-	-	16,208
552,254	1,104,955	3,853,979
-	750	90,957
-	750	90,957
-	-	18,308
552,254	1,104,205	3,598,513
-	-	146,201
552,254	1,104,205	3,763,022
$ 552,254	$ 1,104,955	$ 3,853,979

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES			
LCFF sources	$ -	$ 168,000	$ -
Federal Sources	586,282	-	-
Other State sources	31,734	-	1,611
Other local sources	932,491	85,675	5,271,597
Total Revenues	1,550,507	253,675	5,273,208
EXPENDITURES			
Current			
Pupil services:			
Food services	1,468,353	-	-
Administration			
All other administration	65,178	-	152,134
Plant services	10,085	281,503	-
Facilities Acquisitions and Construction	-	-	978,254
Enterprise	-	-	
Debt Service			
Principal	-	-	3,668,707
Interest and other	-	-	-
Issuance costs and discounts	-	-	-
Total Expenditures	1,543,616	281,503	4,799,095
Excess (Deficiency) of Revenues Over Expenditures	6,891	(27,828)	474,113
Other Financing Sources (Uses)			
Transfers in	255	-	-
Net Financing Sources (Uses)	255	-	-
NET CHANGE IN FUND BALANCES	7,146	(27,828)	474,113
Fund Balance - Beginning	303,214	174,029	1,175,889
Fund Balance - Ending	$ 310,360	$ 146,201	$ 1,650,002

See accompanying note to supplementary information.

Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ 168,000
-	-	586,282
-	8,399	41,744
8,897	2,042,072	8,340,732
8,897	2,050,471	9,136,758
-	-	1,468,353
-	-	217,312
-	-	291,588
-	-	978,254
-	-	-
-	-	3,668,707
-	2,370,578	2,370,578
-	-	-
-	2,370,578	8,994,792
8,897	(320,107)	141,966
125,000	-	125,255
125,000	-	125,255
133,897	(320,107)	267,221
418,357	1,424,312	3,495,801
$ 552,254	$ 1,104,205	$ 3,763,022

LAMMERSVILLE UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 – PURPOSES OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists primarily of Medi-Cal Billing Option funds that have been recorded revenue in prior periods and expensed in the current period as of June 30, 2018. Unspent balances are reported as legally restricted ending balances with the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		$ 1,601,920
Medi-Cal Billing Option	93.778	10,408
Total Schedule of Expenditures of Federal Awards		$ 1,612,328

Indirect Cost Rate – The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Sub-recipients – The District did not provide federal awards to sub-recipients during the year ended June 30, 2018.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

The District has not met its local control funding formula target.

Districts must maintain their instructional minutes at the 1986-87 requirement, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Charter School

This schedule represents a complete listing of all charter schools authorized by the District and indicates whether their financial activities and balances have been included in the District's annual audited financial statements for fiscal year ended June 30, 2018.

Non-Major Governmental Funds – Balance Sheet and Statement of Revenues, Expenditures and Change in Fund Balance

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

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IV - Independent Auditors' Reports

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Cichella & Tokunaga, LLP
Certified Public Accountants

4671 Golden Foothill Parkway ♦ El Dorado Hills, CA 95672 www.ctcpa.net
Voice: (877) 359-9588 ♦ Fax: (916) 941-7234

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Lammersville Unified School District
Lammersville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lammersville Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Lammersville Unified School District's basic financial statements, and have issued our report thereon dated December 5, 2018.

Emphasis of Matter - Change in Accounting Principles

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

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

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

El Dorado Hills, California
December 5, 2018

Cichella & Tokunaga, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Lammersville Unified School District
Lammersville, California

Report on Compliance for Each Major Federal Program

We have audited Lammersville Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lammersville Unified School District's (the District) major Federal programs for the year ended June 30, 2018. Lammersville Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Lammersville Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cichella + Tokunaga LLP

El Dorado Hills, California
December 5, 2018

Cichella & Tokunaga, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Lammersville Unified School District
Lammersville, California

Report on State Compliance

We have audited Lammersville Unified School District's compliance with the types of compliance requirements as described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Lammersville Unified School District's State government programs as identified in the below schedule for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws, regulations and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Lammersville Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, prescribed in Title 5, *California Code of Regulations*, section 19810. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the programs identified in the below schedule occurred. An audit includes examining, on a test basis, evidence about Lammersville Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination on the District’s compliance with those requirements.

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

Compliance Requirements	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, See Below
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
CHARTER SCHOOLS	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non-classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-classroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facilities Grant Program	Not Applicable

The District's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Independent Study ADA.

Opinion on State Compliance

In our opinion, Lammersville Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the programs identified in the above schedule for the year ended June 30, 2018.

Cichella + Tokunaga LLP

El Dorado Hills, California
December 5, 2018

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V - Schedule of Findings and Questioned Costs

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LAMMERSVILLE UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs

CFDA Number(s)	Name of Federal Program or Cluster
10.555, 10.553, 10.565	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency (ies) identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with Audits of California K-12 Local Education Agencies?	No
Type of auditors' report issued on compliance for state programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None Reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

There were no audit findings and questioned costs related to the federal awards for the year ended June 30, 2018.

STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

There were no audit findings and questioned costs related to the state awards for the year ended June 30, 2018.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

2017-1 General Long Term Debt

Criteria or Specific Requirements
The California Education Code, California School Accounting Manual, and best business practices require an entity to maintain a sound financial system that supports financial reporting and budget monitoring. Compliance with this requirement includes proper accounting entries for general long term debt proceeds and disbursements and maintaining proper supporting documentation.

Condition
During the course of our audit, we noted that the District's internal controls have not been implemented to a sufficient degree to ensure that the issuance of debt is properly recorded.

Questioned Cost
None

Context
Proper internal controls must be implemented over financial reporting to include all debt transactions.

Effect
The District did not completely record General Obligation Bond and Special Tax Bond proceeds, related expenses and disbursements.

Cause
The proceeds were held by a financial institution from which disbursements were also made. Transactions were not recorded and reconciled as bank statements were received.

Recommendation
District is responsible for understanding and maintaining information related to fiscal year financial reporting. Key business office positions must be properly trained to ensure all financial reporting is adequately recorded and supported. The adjustments noted during the audit should be posted to the District's general ledger as soon as possible as it may affect the District's ability to meet budgetary obligations.

Status
Implemented

2017-2 Student Body Operations – (30000)

Criteria or Specific Requirements
General best accounting practices emphasize the importance of good internal controls. Strong internal controls over associated student body (ASB) funds are especially important due to the decentralized nature of ASB cash collections and disbursements.

Condition
During our testing of the student body internal control procedures we noted the following:

Mountain House High school

- Cash deposits are not made in a timely manner.

Questioned Cost
None.

Context
Internal Controls over ASB funds should operate to safeguard assets and The District should ensure that procedures are operating effectively.

Effect
Undeposited funds are at greater risk for theft or loss.

Cause
Funds received at school sites are not deposited timely.

Recommendation
We recommend that the District provide training on the importance of strengthening the internal controls over ASB funds, specifically depositing receipts on a weekly basis, unless it meets or exceeds an amount decided upon by the governing board.

Status
Implemented

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

____, 2019

Lammersville Schools Finance Authority
111 South De Anza Blvd.
Mountain House, California 95391

Lammersville Joint Unified School District
111 South De Anza Blvd.
Mountain House, California 95391

OPINION: $31,300,000 Lammersville Schools Finance Authority
2019 Lease Revenue Bonds (Cordes Elementary School)

Members of the Board of Directors and Governing Board:

We have acted as bond counsel in connection with the issuance by Lammersville Schools Finance Authority (the "Authority") of its $31,300,000 aggregate principal amount of Lammersville Schools Finance Authority 2019 Lease Revenue Bonds (Cordes Elementary School) (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds have been issued by the Authority under the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, an Indenture of Trust dated as of August 1, 2019 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and a resolution (the "Resolution") of the Board of Directors of the Authority adopted on July 17, 2019.

Under the Indenture, the Authority has pledged certain revenues (the "Revenues") for the payment of principal, premium (if any), and interest on the Bonds when due, including lease payments made by the Lammersville Joint Unified School District (the "District") under a Lease Agreement dated as of August 1, 2019 (the "Lease Agreement") between the Authority and the District.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority contained in the Indenture and the District contained in the Lease Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Authority is a duly created and validly existing joint exercise of powers authority, with the power to adopt the Resolution, enter into the Indenture and the Lease Agreement, perform the agreements on its part contained therein, and issue the Bonds.

2. The District is a duly created and validly existing school district with the power to enter into the Lease Agreement and perform the agreements on its part contained therein.

3. The Indenture has been duly authorized, executed and delivered by the Authority, and constitutes a valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.

4. The Lease Agreement has been duly authorized, executed and delivered by the Authority and the District, and constitutes a valid and binding obligation of the Authority and the District, enforceable against the Authority and the District.

5. The Indenture creates a valid lien on the Revenues and other funds pledged by the Indenture for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued in accordance with the Indenture.

6. The Bonds have been duly authorized and executed by the Authority, and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Indenture.

7. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the District have made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes which may be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

8. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$31,300,000
LAMMERSVILLE SCHOOLS FINANCE AUTHORITY
2019 Lease Revenue Bonds
(Cordes Elementary School)

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Lammersville Joint Unified School District (the "District"), in connection with the issuance by the Lammersville Schools Finance Authority (the "Authority") of the bonds captioned above (the "Bonds"). The Bonds are being issued under an Indenture of Trust dated as of August 1, 2019 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means eight months after the end of the District's fiscal year (currently March 1, based on the District's fiscal year-end of June 30).

"*Dissemination Agent*" means, initially Goodwin Consulting Group, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement dated August 8, 2019, executed by the District and the Authority in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, the original purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 1, 2020 with the report for the 2018-19 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

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(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide), in a timely manner, a notice to the MSRB, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for the preceding fiscal year, or, if available at the time of filing the Annual Report, the current fiscal year, presented in form substantially similar to that provided in the corresponding tables and charts in the Official Statement, as follows:

(i) the estimated average daily attendance in the District;

(ii) pension plan contributions made by the District;

(iii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District, as of a date within 90 days of the date of the Annual Report;

(iv) the District's most recently adopted budget or approved interim report with budgeted figures, which is available at the time of filing the Annual Report;

(v) property tax collection delinquencies for the District for the most recently completed fiscal year, or if not available, for the previous fiscal year, but only if available from the County of San Joaquin (the "County") at the time of filing the Annual Report, and only if the County is not participating in the Teeter Plan (as defined in the Official Statement);

(vi) assessed valuation of taxable properties in the District;

(vii) the top twenty property owners in the District, as measured by secured assessed valuation, the amount of their respective taxable value and their percentage of total secured assessed value.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public through the MSRB. The District shall clearly identify each such other document so included by reference. If the document included by reference is a final official statement, it must be available from the MSRB.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the obligated person, or the sale of all or substantially all of the assets of an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond owners or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: August 29, 2019

LAMMERSVILLE JOINT UNIFIED SCHOOL DISTRICT

By:__________________________________
Name: _______________________________
Title:_________________________________

ACCEPTANCE OF DUTIES AS DISSEMINATION AGENT:

GOODWIN CONSULTING GROUP

By:__________________________________
Name: _______________________________
Title:_________________________________

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District (the "Issuer") nor the Trustee (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (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 issue of the Securities, each 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 and www.dtc.org. *The information contained on this Internet site 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 Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Agent's DTC account.

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

11. Issuer 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.

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

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

____

Authorized Officer