NEW ISSUE—BOOK-ENTRY ONLY

Ratings: S&P (Insured): "AA"
S&P (Underlying): "A+"
(See "MISCELLANEOUS — Ratings" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds. See "TAX MATTERS" herein.

$5,750,000
HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
General Obligation Bonds, Election of 2018, Series 2019
(Bank Qualified)

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

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

The Hilmar Unified School District (Merced County, California) General Obligation Bonds, Election of 2018, Series 2019 (the "Series 2019 Bonds") are issued by the Hilmar Unified School District (the "District"), located in the County of Merced (the "County"), to (i) finance specific construction, repair and improvement projects approved by the voters of the District and (ii) pay costs of delivery with respect to the Series 2019 Bonds. The Series 2019 Bonds were authorized at an election of the voters of the District held on November 6, 2018, at which at least 55% of the voters voting on the proposition authorized the issuance and sale of $31,000,000 aggregate principal amount of bonds of the District. The Series 2019 Bonds are being issued under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Education of the District, adopted on February 12, 2019.

The Series 2019 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2019 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS" herein.

The Series 2019 Bonds will be issued as current interest bonds, as set forth on the inside front cover hereof. Interest on the Series 2019 Bonds is payable on each February 1 and August 1 to maturity, commencing August 1, 2019. Principal of the Series 2019 Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Series 2019 Bonds will be issued in denominations of $5,000 principal amount, or any integral multiple thereof as shown on the inside front cover hereof.

The scheduled payment of principal of and interest on the Series 2019 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2019 Bonds by ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY® MUNICIPAL

The Series 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 for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2019 Bonds. Individual purchases of the Series 2019 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2019 Bonds purchased by them. See "THE SERIES 2019 BONDS – Form and Registration" herein. Payments of the principal of and interest on the Series 2019 Bonds will be made by Wilmington Trust, National Association, as paying agent, registrar and transfer agent with respect to the Series 2019 Bonds, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series 2019 Bonds. See "THE SERIES 2019 BONDS – Payment of Principal and Interest" herein.

The Series 2019 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2019 BONDS — Redemption" herein.

The Series 2019 Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Corporation, Pleasanton, California; Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by its counsel, Dannis Woliver Kelley, Long Beach, California. It is anticipated that the Series 2019 Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about March 20, 2019.

O'CONNOR & COMPANY SECURITIES
PUBLIC FINANCE

Dated March 6, 2019.

MATURITY SCHEDULE
BASE CUSIP[†]: 432794

$5,750,000
HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
General Obligation Bonds, Election of 2018, Series 2019
(Bank Qualified)

$3,860,000 Serial Series 2019 Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number[†]
2020	$930,000	4.000%	1.570%	BT1
2021	955,000	4.000	1.580	BU8
2022	90,000	2.000	1.600	BV6
2023	95,000	2.000	1.650	BW4
2024	100,000	4.000	1.750	BX2
2025	100,000	4.000	1.880	BY0
2026	100,000	4.000	1.960	BZ7
2027	105,000	4.000	2.030	CA1
2028	110,000	2.000	2.170	CB9
2029	115,000	2.250	2.330	CC7
2030	115,000	2.250	2.500	CD5
2031	120,000	2.750	2.850	CE3
2032	120,000	3.000	3.000	CF0
2033	125,000	3.000	3.130	CG8
2034	130,000	3.000	3.180	CH6
2035	130,000	3.125	3.280	CJ2
2036	135,000	3.250	3.360	CK9
2037	140,000	3.250	3.420	CL7
2038	145,000	3.375	3.480	CM5

$835,000 5.000% Term Series 2019 Bonds due August 1, 2043 – Yield 3.280%[C] - CUSIP Number[†] CN3

$1,055,000 5.000% Term Series 2019 Bonds due August 1, 2048 – Yield 3.330%[C] - CUSIP Number[†] CP8

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.
[*] *Preliminary; subject to change.*
[C] Yield to call at par on August 1, 2027.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)

BOARD OF EDUCATION

Robert Machado, *President*
Anne Almeida, *Vice President*
Tim Jones, *Clerk*
Luis Freitas, *Member*
Fatima Amaral, *Member*
Brent Chipponeri, *Member*
Curtis Jorritsma, *Member*

DISTRICT ADMINISTRATORS

Isabel Cabral-Johnson, *Superintendent*
Connie Lourenco, *Director of Fiscal Services*

PROFESSIONAL SERVICES

Municipal Advisor

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

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

District Counsel

Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation
Pleasanton, California

Paying Agent, Registrar and Transfer Agent

Wilmington Trust, National Association
Costa Mesa, California

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2019 Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2019 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2019 Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2019 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2019 Bonds or the advisability of investing in the Series 2019 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and APPENDIX G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Series 2019 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2019 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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$5,750,000
HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
General Obligation Bonds, Election of 2018, Series 2019
(Bank Qualified)

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2019 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page, inside cover page and appendices hereto, is provided to furnish information in connection with the sale of $5,750,000 aggregate principal amount of Hilmar Unified School District (Merced County, California) General Obligation Bonds, Election of 2018, Series 2019 (the "Series 2019 Bonds"), all as indicated on the inside front cover hereof, to be offered by the Hilmar Unified School District (the "District").

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

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2019 Bonds. Quotations from and summaries and explanations of the Series 2019 Bonds, the resolution of the Board of Education of the District relating to the Series 2019 Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2019 Bonds.

Copies of documents referred to herein and information concerning the Series 2019 Bonds are available from the District by contacting: Hilmar Unified School District, 7807 North Lander Avenue, Hilmar, California 95324, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District, located in California's San Joaquin Valley, serves unincorporated portions of the County of Merced (the "County"), including the communities of Hilmar, Irwin and Stevinson, and encompasses approximately 106 square miles. The District currently operates six schools, consisting of two elementary schools serving grades transitional kindergarten through five, one middle school serving grades six through eight, one comprehensive high school, one alternative high school and one continuation high school, each serving grades nine through twelve. Enrollment in the District for the current school year is approximately 2,388 students. The District operates under the jurisdiction of the Merced County Superintendent of Schools.

For additional information about the District, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

THE SERIES 2019 BONDS

Authority for Issuance; Purpose

The Series 2019 Bonds are issued under the provisions of California Government Code Section 53506 *et seq.*, including Section 53508.7 thereof, and California Education Code Section 15140 and Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Education of the District on February 12, 2019 (the "Resolution").

At an election held on November 6, 2018, the District received authorization under Measure G to issue general obligation bonds of the District in an aggregate principal amount not to exceed $31,000,000 to modernize/renovate classrooms, restrooms and school facilities to improve the quality of education, make health/safety improvements, and construct an elementary school to relieve student overcrowdings (collectively, the "2018 Authorization"). Measure G required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 61.17%. The Series 2019 Bonds represent the first series of authorized bonds to be issued under the 2018 Authorization and will be issued to (i) finance specific construction, repair and improvement projects approved by the voters of the District and (ii) to pay costs of delivery with respect to the Series 2019 Bonds. See "*−Application and Investment of Series 2019 Bond Proceeds*" herein.

Bond Insurance Policy

Concurrently with the issuance of the Series 2019 Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2019 Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Series 2019 Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement. See "BOND INSURANCE."

Form and Registration

The Series 2019 Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or integral multiples thereof. The Series 2019 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Series 2019 Bonds. Purchases of Series 2019 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series 2019 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2019 Bonds, beneficial owners of the Series 2019 Bonds ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

Interest. The Series 2019 Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing on August 1, 2019, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Series 2019 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") and on or prior to the succeeding Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2019 Bond, interest is in default on any outstanding Series 2019 Bonds, such Series 2019 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Series 2019 Bonds.

Payment of Series 2019 Bonds. The principal of and interest on the Series 2019 Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of Wilmington Trust, National Association, as paying agent (the "Paying Agent") at the maturity thereof or upon redemption prior to maturity.

Interest on the Series 2019 Bonds is payable in lawful money of the United States of America by check mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the registered owner thereof (the "Owner") at such Owner's address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Series 2019 Bonds who shall have requested in writing such method of payment of interest prior to the close of business on a Record Date. So long as the Series 2019 Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Series 2019 Bonds maturing on or before August 1, 2027, are not subject to optional redemption prior to their respective stated maturity dates. The Series 2019 Bonds maturing on or after August 1, 2028, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2027, at a redemption price equal to the principal amount of the Series 2019 Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

[Remainder of page left intentionally blank.]

Mandatory Sinking Fund Redemption. The $835,000 term Series 2019 Bonds maturing on August 1, 2043 are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2039	$150,000
2040	160,000
2041	165,000
2042	175,000
2043†	185,000

† Maturity.

The principal amount of the $835,000 term Series 2019 Bonds maturing on August 1, 2043, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series 2019 Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The $1,055,000 term Series 2019 Bonds maturing on August 1, 2048 are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2044	$190,000
2045	200,000
2046	210,000
2047	220,000
2048†	235,000

† Maturity.

The principal amount of the $1,055,000 term Series 2019 Bonds maturing on August 1, 2048, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series 2019 Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Series 2019 Bonds for Redemption. If less than all of the Series 2019 Bonds are called for redemption, the Series 2019 Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2019 Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Series 2019 Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series 2019 Bond shall be deemed to consist of individual Series 2019 Bonds of denominations of $5,000 principal amount, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2019 Bond will be given by the Paying Agent not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate with respect to the Series 2019 Bonds. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Series 2019 Bonds and the date of issue of the Series 2019 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series 2019 Bonds to be redeemed; (vi) if less than all of the Series 2019 Bonds of any maturity are to be redeemed the distinctive numbers of the Series 2019 Bonds of each maturity to be redeemed; (vii) in the case of Series 2019 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2019 Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2019 Bonds to be redeemed; (ix) a statement that such Series 2019 Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Series 2019 Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by the Owner of any Series 2019 Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Series 2019 Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Series 2019 Bonds called for redemption is set aside, the Series 2019 Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2019 Bonds at the place specified in the notice of redemption, such Series 2019 Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2019 Bonds so called for redemption after such redemption date shall look for the payment of such Series 2019 Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Series 2019 Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series 2019 Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2019 Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series 2019 Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance of Series 2019 Bonds

The District may pay and discharge any or all of the Series 2019 Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Series 2019 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund or by the Paying Agent or an escrow agent in trust for the payment of the principal of, redemption premium, if any, or interest on the Series 2019 Bonds and remaining unclaimed for two years after the principal of such Series 2019 Bonds has become due and payable (whether by maturity or upon prior redemption) is required to be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys is required to be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Series 2019 Bond Proceeds

The proceeds of the Series 2019 Bonds are expected to be applied as follows:

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
General Obligation Bonds, Election of 2018, Series 2019
(Bank Qualified)

Estimated Sources and Uses of Funds

Sources of Funds:	
Aggregate Principal Amount of Series 2019 Bonds	$5,750,000.00
Plus Net Original Issue Premium	351,075.45
Total Sources of Funds	$6,101,075.45
Uses of Funds:	
Deposit to Building Fund	$5,750,000.00
Deposit to Interest and Sinking Fund(1)	134,705.70
Underwriter's Discount(2)	56,062.50
Costs of Issuance(3)	160,307.25
Total Uses of Funds	$6,101,075.45

(1) Consists of premium received by the District.
(2) Exclusive of costs of issuance the Underwriter has contracted to pay.
(3) Includes legal fees, municipal advisor fees, Underwriter's discount, rating agency fees, bond insurance premium, printing fees, and other miscellaneous expenses the Underwriter has contracted to pay.

Under California law, all money received by or apportioned to a school district must generally be paid into and held in the County treasury. The proceeds from the sale of the Series 2019 Bonds will be deposited in the County treasury to the credit of the building fund of the District (the "Building Fund") and shall be accounted for together with the proceeds of other bonds of the District separately from all other District and County funds. Such proceeds shall be applied solely for the purposes for which the Series 2019 Bonds were authorized. Any premium or accrued interest on the Series 2019 Bonds received by the District will be deposited in the Interest and Sinking Fund of the District in the County treasury. Interest and earnings on each fund will accrue to that fund. All funds held by the County Treasurer-Tax Collector (the "County Treasurer") in the Building Fund and the Interest and Sinking Fund are expected to be invested at the sole discretion of the County Treasurer on behalf of the District in such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See APPENDIX E − "MERCED COUNTY INVESTMENT POLICY AND POOLED SURPLUS INVESTMENTS" for a description of the permitted investments under the investment policy of the County. In addition, to the extent permitted by law and the investment policy of the County, the District may request in writing that all or any portion of the funds held in the Building Fund of the District may be invested in investment agreements, including guaranteed investment contracts, float contracts or other investment products which comply with the requirements of each rating agency then rating the Series 2019 Bonds. The County Treasurer does not monitor such investments for arbitrage compliance and does not perform any arbitrage calculations with respect to such investments.

[Remainder of page left intentionally blank.]

Debt Service

Debt service on the Series 2019 Bonds, assuming no early redemptions, is as set forth in the following table.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
General Obligation Bonds, Election of 2018, Series 2019
(Bank Qualified)

Year Ending August 1,	Principal	Interest	Total Debt Service
2019	-	$ 83,555.71	$ 83,555.71
2020	$ 930,000.00	229,618.76	1,159,618.76
2021	955,000.00	192,418.76	1,147,418.76
2022	90,000.00	154,218.76	244,218.76
2023	95,000.00	152,418.76	247,418.76
2024	100,000.00	150,518.76	250,518.76
2025	100,000.00	146,518.76	246,518.76
2026	100,000.00	142,518.76	242,518.76
2027	105,000.00	138,518.76	243,518.76
2028	110,000.00	134,318.76	244,318.76
2029	115,000.00	132,118.76	247,118.76
2030	115,000.00	129,531.26	244,531.26
2031	120,000.00	126,943.76	246,943.76
2032	120,000.00	123,643.76	243,643.76
2033	125,000.00	120,043.76	245,043.76
2034	130,000.00	116,293.76	246,293.76
2035	130,000.00	112,393.76	242,393.76
2036	135,000.00	108,331.26	243,331.26
2037	140,000.00	103,943.76	243,943.76
2038	145,000.00	99,393.76	244,393.76
2039	150,000.00	94,500.00	244,500.00
2040	160,000.00	87,000.00	247,000.00
2041	165,000.00	79,000.00	244,000.00
2042	175,000.00	70,750.00	245,750.00
2043	185,000.00	62,000.00	247,000.00
2044	190,000.00	52,750.00	242,750.00
2045	200,000.00	43,250.00	243,250.00
2046	210,000.00	33,250.00	243,250.00
2047	220,000.00	22,750.00	242,750.00
2048	235,000.00	11,750.00	246,750.00
Total:	$5,750,000.00	$3,254,262.15	$9,004,262.15

Outstanding Bonds

In addition to the Series 2019 Bonds, the District has one series of general obligation bonds outstanding, which is secured by *ad valorem* taxes upon all property subject to taxation by the District on a parity with the Series 2019 Bonds.

The District received authorization at an election held on November 5, 2002, to issue bonds of the District under Measure E in an aggregate principal amount not to exceed $2,000,000 (the "2002 Authorization"). Measure E required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 72.9%. On March 20, 2003, the District issued its General Obligation Bonds, Election of 2002, Series 2003 (the "Series 2003 Bonds"), in the aggregate initial principal amount of $1,997,942.60, as its first and only series of bonds issued under the 2002 Authorization. The proceeds of the Series 2003 Bonds were used to modernize District schools, including Hilmar High School, Elim Elementary School, Merquin Elementary School and Hilmar Middle School.

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Aggregate Debt Service

The following table sets forth the annual aggregate debt service requirements of all outstanding bonds of the District, including the Series 2019 Bonds, assuming no early redemptions.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
General Obligation Bonds – Aggregate Debt Service

Year Ending August 1,	Series 2003 Bonds	Series 2019 Bonds	Aggregate Debt Service
2019	$ 180,000.00	$ 83,555.71	$ 263,555.71
2020	185,000.00	1,159,618.76	1,344,618.76
2021	195,000.00	1,147,418.76	1,342,418.76
2022	205,000.00	244,218.76	449,218.76
2023	215,000.00	247,418.76	462,418.76
2024	225,000.00	250,518.76	475,518.76
2025	235,000.00	246,518.76	481,518.76
2026	245,000.00	242,518.76	487,518.76
2027	255,000.00	243,518.76	498,518.76
2028	-	244,318.76	244,318.76
2029	-	247,118.76	247,118.76
2030	-	244,531.26	244,531.26
2031	-	246,943.76	246,943.76
2032	-	243,643.76	243,643.76
2033	-	245,043.76	245,043.76
2034	-	246,293.76	246,293.76
2035	-	242,393.76	242,393.76
2036	-	243,331.26	243,331.26
2037	-	243,943.76	243,943.76
2038	-	244,393.76	244,393.76
2039	-	244,500.00	244,500.00
2040	-	247,000.00	247,000.00
2041	-	244,000.00	244,000.00
2042	-	245,750.00	245,750.00
2043	-	247,000.00	247,000.00
2044	-	242,750.00	242,750.00
2045	-	243,250.00	243,250.00
2046	-	243,250.00	243,250.00
2047	-	242,750.00	242,750.00
2048	-	246,750.00	246,750.00
Total	$1,940,000.00	$9,004,262.15	$10,944,262.15

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

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series 2019 Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

The Series 2019 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Series 2019 Bonds.

Statutory Lien on Taxes (Senate Bill 222)

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

Pledge of Tax Revenues

The District has pledged all revenues from the property taxes collected from the levy by the Board of Supervisors of the County for the payment of all bonds, including the Series 2019 Bonds (collectively, the "Bonds"), of the District heretofore or hereafter issued pursuant to voter approved measures of the District and amounts on deposit in the Interest and Sinking Fund of the District to the payment of the principal or redemption price of and interest on the Bonds. The Resolution provides that the property taxes and amounts held in the Interest and Sinking Fund shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the Interest and Sinking Fund to secure the payment of the Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge constitutes an agreement between the District and the owners of Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds secured by the pledge are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

Property Taxation System

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

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

Assessed Valuation of Property Within the District

Taxable property located in the District has a fiscal year 2018-19 assessed value of $1,792,133,365. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

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

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

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

The following table sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal year 1999-2000 through 2018-19.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
Assessed Valuations
Fiscal Years 1999-2000 through 2018-19

Fiscal Year Ending	Local Secured	Utility	Unsecured	Total Valuation
1999-2000	$561,404,737	$16,000	$95,364,452	$656,785,189
2000-01	589,475,617	16,000	119,841,816	709,333,433
2001-02	599,826,950	16,000	141,707,303	741,550,253
2002-03	641,627,293	16,000	158,835,171	800,478,464
2003-04	680,852,315	4,000	168,500,859	849,357,174
2004-05	739,810,814	4,000	171,147,370	910,962,184
2005-06	805,052,304	5,000	206,475,368	1,011,532,672
2006-07	894,377,285	5,000	223,102,885	1,117,485,170
2007-08	954,478,041	5,000	255,169,342	1,209,652,383
2008-09	993,375,187	0	247,922,321	1,241,297,508
2009-10	985,826,258	0	296,855,312	1,282,681,570
2010-11	972,620,008	0	293,311,804	1,265,931,812
2011-12	971,714,323	0	328,304,446	1,300,018,769
2012-13	1,002,225,366	0	309,131,362	1,311,356,728
2013-14	1,041,207,703	0	340,003,937	1,381,211,640
2014-15	1,126,525,673	0	366,590,012	1,493,115,685
2015-16	1,201,303,439	0	393,232,310	1,594,535,749
2016-17	1,276,110,147	0	373,874,854	1,649,985,001
2017-18	1,350,793,188	0	374,148,262	1,724,941,450
2018-19	1,416,323,130	0	375,810,235	1,792,133,365

Source: California Municipal Statistics, Inc.

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

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

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

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIIIA of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

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

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

Bonding Capacity. As a unified school district, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2018-19 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $44.80 million and its net bonding capacity is approximately $44.12 million (taking into account current outstanding debt before issuance of the Series 2019 Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries by jurisdiction for fiscal year 2018-19. All of the property in the District resides in the unincorporated portions of the County.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
2018-19 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
Unincorporated Merced County	$1,792,133,365	100.00%	$12,873,798,123	13.92%
Total District	$1,792,133,365	100.00%		
Merced County	$1,792,133,365	100.00%	$24,107,963,243	7.43%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2018-19 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
2018-19 Assessed Valuation and Parcels by Land Use

	2018-19 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$866,253,675	61.16%	1,535	38.77%
Commercial/Office	72,561,807	5.12	103	2.60
Vacant Commercial	1,355,172	0.10	23	0.58
Industrial	79,750,308	5.63	13	0.33
Vacant Industrial	39,036	0.00	2	0.05
Government/Social/Institutional	610,627	0.04	17	0.43
Miscellaneous	359,942	0.03	24	0.61
Subtotal Non-Residential	$1,020,930,567	72.08%	1,717	43.37%
Residential:				
Single Family Residence	$341,642,088	24.12%	1,660	41.93%
Condominium	1,463,482	0.10	12	0.30
Mobile Home	12,225,264	0.86	369	9.32
2-4 Residential Units	18,693,132	1.32	77	1.94
5+ Residential Units/Apartments	3,001,215	0.21	8	0.20
Miscellaneous Residential	12,122,674	0.86	29	0.73
Vacant Residential	6,244,708	0.44	87	2.20
Subtotal Residential	$395,392,563	27.92%	2,242	56.63%
TOTAL	$1,416,323,130	100.00%	3,959	100.00%

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

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2018-19.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
2018-19 Per Parcel Assessed Valuation of Single Family Homes

	Number of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	1,660	$341,642,088	$205,808	$191,611

2018-19 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	7	0.422%	0.422%	$ 128,616	0.038%	0.038%
$25,000 - $49,999	54	3.253	3.675	2,085,731	0.611	0.648
$50,000 - $74,999	87	5.241	8.916	5,314,892	1.556	2.204
$75,000 - $99,999	78	4.699	13.614	6,914,572	2.024	4.228
$100,000 - $124,999	106	6.386	20.000	12,036,716	3.523	7.751
$125,000 - $149,999	166	10.000	30.000	23,018,392	6.738	14.489
$150,000 - $174,999	209	12.590	42.590	33,953,687	9.938	24.427
$175,000 - $199,999	169	10.181	52.771	31,557,315	9.237	33.664
$200,000 - $224,999	142	8.554	61.325	30,040,783	8.793	42.457
$225,000 - $249,999	162	9.759	71.084	38,329,582	11.219	53.676
$250,000 - $274,999	122	7.349	78.434	32,068,058	9.386	63.063
$275,000 - $299,999	111	6.687	85.120	31,792,556	9.306	72.368
$300,000 - $324,999	76	4.578	89.699	23,611,166	6.911	79.279
$325,000 - $349,999	60	3.614	93.313	20,255,387	5.929	85.208
$350,000 - $374,999	24	1.446	94.759	8,719,629	2.552	87.761
$375,000 - $399,999	20	1.205	95.964	7,751,057	2.269	90.029
$400,000 - $424,999	20	1.205	97.169	8,254,450	2.416	92.445
$425,000 - $449,999	7	0.422	97.590	3,040,235	0.890	93.335
$450,000 - $474,999	10	0.602	98.193	4,620,845	1.353	94.688
$475,000 - $499,999	5	0.301	98.494	2,465,685	0.722	95.410
$500,000 and greater	25	1.506	100.000	15,682,734	4.590	100.000
Total	1,660	100.000%		$341,642,088	100.000%	

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

Largest Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2018-19 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
Largest 2018-19 Local Secured Taxpayers

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	Percent of Total[(1)]
1.	HCC Properties Ltd.	Industrial	$92,688,091	6.54%
2.	Fresno Farming LLC	Agricultural	43,204,235	3.05
3.	GBRK LLC	Agricultural	33,114,132	2.34
4.	Gallo Vineyards Inc.	Agricultural	23,083,810	1.63
5.	JJ Stevinson Corporation	Agricultural	22,802,153	1.61
6.	14 Mile Ranch	Agricultural	19,100,920	1.35
7.	Livingston Land Co.	Agricultural	17,391,074	1.23
8.	Bradford E. & Kristi J. Nyman, Trustees	Agricultural	15,682,087	1.11
9.	Charles D. & Druann R. Ahlem, Trustees	Agricultural	12,618,810	0.89
10.	Gemperle Egg Packing Company Inc.	Agricultural	12,019,312	0.85
11.	Vierra Family Hilmar Partnership LP	Agricultural	11,861,792	0.84
12.	Ahlem Family LP	Agricultural	11,773,249	0.83
13.	Borba Dairy Farms Home Ranch LP	Agricultural	10,423,029	0.74
14.	Borba Dairy Farms LP	Agricultural	9,705,271	0.69
15.	Michael & Veronica Brasil	Agricultural	9,680,686	0.68
16.	Martins Bros. Dairy Farms	Agricultural	9,489,326	0.67
17.	Rodney V. & Juliet K. Nylund, Trustees	Agricultural	9,278,917	0.66
18.	Dores Dairy	Agricultural	9,138,871	0.65
19.	George A. & Margaret A. Silva, Trustees	Agricultural	7,980,245	0.56
20.	Michael H. Peterson, Trustee	Agricultural	7,830,181	0.55
			$388,866,191	27.46%

[(1)] 2018-19 local secured assessed valuation: $1,416,323,130
Source: California Municipal Statistics, Inc.

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

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Series 2019 Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2019 Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2019 Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table sets forth *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 75-001). This Tax Rate Area comprises approximately 34.22% of the total assessed value of the District for fiscal year 2018-19.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 75-001)
Fiscal Years 2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Hilmar Unified School District	0.009900	0.009400	0.010000	0.009500	0.009800
Yosemite Community College District	0.021800	0.026900	0.023000	0.024100	0.026000
Total Tax Rate	1.031700%	1.036300%	1.033000%	1.033600%	1.035800%

Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and the Education Code, bonds approved pursuant to the 2018 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved under the 2018 Authorization will require a tax rate no greater than $60.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2019 Bonds, the District projects that the maximum tax rate required to repay the Series 2019 Bonds will be within that legal limit. The tax rate limitation applies only when new bonds are issued and does not restrict the authority of the County Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2019 Bonds and any other series of bonds issued under the 2018 Authorization in each year.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Series 2019 Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

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

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the county treasurer-tax collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer-tax collector may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The County does not provide information with respect to the real property tax charges and delinquencies for property within the District. See *"− Teeter Plan"* below.

Teeter Plan. The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes on the secured roll in the County, including school districts, receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. The County applies the Teeter Plan to general taxes on the secured roll and taxes levied for repayment of school district general obligation bonds on the secured roll.

The Teeter Plan is applicable to the Series 2019 Bonds and to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the county treasuries are the legal depository of tax collections. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts and special assessment districts which provide for the accelerated judicial foreclosure of property for which assessments are delinquent.

The *ad valorem* property tax to be levied on secured property to pay the interest on and principal of the Series 2019 Bonds will be subject to the Teeter Plan, beginning in the first year of such levy in fiscal year 2019-20. Irrespective of actual delinquencies in the collection of tax by the County, the County will transfer to the Interest and Sinking Fund an amount sufficient to pay debt service on the Series 2019 Bonds.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency.

Direct and Overlapping Debt

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective January 16, 2019 for debt outstanding as of January 1, 2019. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not set forth in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
Statement of Direct and Overlapping Bonded Debt

January 16, 2019

2018-19 Assessed Valuation: $1,792,133,365

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 1/1/19
Yosemite Community College District	2.660%	$7,186,626
Hilmar Unified School District	100.000	681,716[2]
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$7,868,342
OVERLAPPING GENERAL FUND DEBT:		
Merced County Certificates of Participation	7.434%	$2,111,288
Merced County Office of Education Certificates of Participation	7.434	812,908
TOTAL OVERLAPPING GENERAL FUND DEBT		$2,924,196
TOTAL DEBT		$10,792,538[3]

Ratios to 2018-19 Assessed Valuation:

Direct Debt ($681,716)..0.04%
Total Direct and Overlapping Tax and Assessment Debt................0.44%

(1) 2017-18 ratios.
(2) Excludes Series 2019 Bonds.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2019 Bonds, AGM will issue its Policy for the Series 2019 Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Series 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.

Assured Guaranty Municipal Corp.

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

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM

At December 31, 2018:

- The policyholders' surplus of AGM was approximately $2,533 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,034 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,873 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2019 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at **http://www.sec.gov**, at AGL's website **at http://www.assuredguaranty.com**, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters

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

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section

103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Series 2019 Bonds is less than the amount to be paid at maturity of such Series 2019 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2019 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2019 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2019 Bonds is the first price at which a substantial amount of such maturity of the Series 2019 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2019 Bonds accrues daily over the term to maturity of such Series 2019 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2019 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2019 Bonds. Beneficial Owners of the Series 2019 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2019 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2019 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2019 Bonds is sold to the public.

Series 2019 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2019 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2019 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2019 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2019 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2019 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2019 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2019

Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2019 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2019 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2019 Bonds ends with the issuance of the Series 2019 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2019 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2019 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2019 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2019 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series 2019 Bonds at the time of issuance substantially in the form set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by its counsel, Atkinson, Andelson, Loya, Ruud & Romo, A Professional Corporation, Pleasanton, California, and by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Dannis Woliver Kelley, Long Beach, California.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series 2019 Bonds are legal investments for commercial banks in California to the extent that the Series 2019 Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the California Government Code, the Series 2019 Bonds are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Series 2019 Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2018-19 fiscal year (which is due no later than April 1, 2020) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "Rule") of the Securities and Exchange Commission (the "SEC").

In the past five years, the District has not provided all of the information required under its continuing disclosure undertaking related to the Series 2003 Bonds on an annual basis, including certain audits, budgets, and tax base information.

Isom Advisors, a Division of Urban Futures, Inc. has recently been engaged by the District to serve as the District's dissemination agent in connection with its prior undertakings and its undertakings relating to the Series 2019 Bonds.

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2019 Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2019 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series 2019 Bonds or District officials who will sign certifications relating to the Series 2019 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2019 Bonds.

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

Bank Qualified

The District has designated the Series 2019 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code. Pursuant to that section, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank qualified" investments.

MISCELLANEOUS

Ratings

S&P has assigned an underlying rating of "A+" to the Series 2019 Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions as well as information and materials furnished to them (which may include information and materials from the District, which are not included in this Official Statement). The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series 2019 Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2019 Bonds. Neither the Underwriter (defined herein) nor the District has undertaken any responsibility after the offering of the Series 2019 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

In addition, S&P has assigned its rating of "AA" to the Series 2019 Bonds with the understanding that, upon delivery of the Series 2019 Bonds, the Policy will be delivered by AGM. See "BOND INSURANCE." Such rating is expected to be assigned solely as a result of the issuance of the Policy and will reflect only the rating agency's view of the claims-paying ability and financial strength of AGM. Neither the District nor the Underwriter have made any independent investigation of the claims-paying ability of AGM and no representation is made that any insured rating of the Series 2019 Bonds based upon the purchase of the Policy will remain higher than the rating agency's underlying rating of the Series 2019 Bonds described above, which did not take bond insurance into account. The existence of the Policy will not, of itself, negatively affect such underlying ratings. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Series 2019 Bonds and the claims paying ability of AGM, particularly over the life of the investment. Without regard to any bond insurance, the Series 2019 Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2019 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS." However, any downward revision or withdrawal of any rating of AGM may have an adverse effect on the market price or marketability of the Series 2019 Bonds.

Underwriting

The Series 2019 Bonds are being purchased for reoffering to the public by O'Connor & Company Securities, Inc. (the "Underwriter") pursuant to the terms of a bond purchase agreement executed on March 6, 2019 (the "Purchase Agreement"), by and between the District and the Underwriter. The Underwriter has agreed to purchase the Series 2019 Bonds at a price of $5,884,705.70. The Purchase Agreement provides that the Underwriter will purchase all of the Series 2019 Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series 2019 Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series 2019 Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series 2019 Bonds. Isom Advisors, a Division of Urban Futures, Inc., is acting as the District's municipal advisor (the "Municipal Advisor") with respect to the Series 2019 Bonds. Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation is acting as counsel to the District with respect to the Series 2019 Bonds. Dannis Woliver Kelley is acting as counsel to the Underwriter with respect to the Series 2019 Bonds. Payment of the fees and expenses of the District's Municipal Advisor and counsel to the Underwriter are also contingent upon the sale and delivery of the Series 2019 Bonds.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2019 Bonds. Quotations from and summaries and explanations of the Series 2019 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2019 Bonds.

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

HILMAR UNIFIED SCHOOL DISTRICT

By: /s/ Isabel Cabral-Johnson
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Hilmar Unified School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2019 Bonds are payable from the general fund of the District or from State revenues. The Series 2019 Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County of Merced on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2019 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District, located in California's San Joaquin Valley, serves unincorporated portions of the County of Merced (the "County"), including the communities of Hilmar, Irwin and Stevinson, and encompasses approximately 106 square miles. The District currently operates six schools, consisting of two elementary schools serving grades transitional kindergarten through five, one middle school serving grades six through eight, one comprehensive high school, one alternative high school and one continuation high school, each serving grades nine through twelve. Enrollment in the District for the current school year is approximately 2,388 students. The District operates under the jurisdiction of the Merced County Superintendent of Schools.

Board of Education

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

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)

Board of Education

Name	Office	Term Expires
Robert Machado	President	December 2022
Anne Almeida	Vice President	December 2022
Tim Jones	Clerk	December 2022
Luis Freitas	Member	December 2022
Fatima Amaral	Member	December 2020
Brent Chipponeri	Member	December 2020
Curtis Jorritsma	Member	December 2020

Superintendent and Business Services Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Ms. Cabral-Johnson was appointed by the Board to serve as Superintendent in July 2007. Information concerning the District's Superintendent and the District's Director of Fiscal Services is set forth below.

Isabel Cabral-Johnson, Superintendent. Ms. Cabral-Johnson began her public education career in 1976 as an instructional aide while pursuing her Bachelor of Arts Degree in Education. She began her employment with the District in 1982 as a classroom teacher. She has served the District in the positions of classroom teacher, Title VII Director, Elim Elementary School assistant principal, Merquin Elementary School principal, Elim Elementary School principal, Director of Curriculum and Instruction, and has been superintendent since July 2007. She received her Master of Education in Educational Administration from Chapman University. She lives in the District and has been actively involved in the community. She has been president of the Hilmar Chamber of Commerce, president of the Elim Elementary School PTA, director of the local Portuguese language community school, and an active member of the Hilmar Historical Society.

Connie Lourenco, Director of Fiscal Services. Ms. Lourenco began working for the District in May of 1985 as an instructional aide, and has served in the positions of District Print Shop Operator, Accounts Payable Technician, Payroll Assistant and Fiscal Analyst. For the past 20 years she has served as Manager of Business Services and then Director of Fiscal Services. She lives in the District and has been a member of Hilmar's Municipal Advisory Council.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") (see "− Allocation of State Funding to School Districts; Local Control Funding Formula" herein) and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "− Local Sources of Education Funding" herein). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District has projected to receive approximately 72.69% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), projected at approximately $19.10 million in fiscal year 2018-19. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "−*Allocation of State Funding to School Districts; Local Control Funding Formula*" and "– *Attendance and LCFF*" and "Other District Revenues – *Other State Revenues*" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

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

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

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two–thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2018-19 State budget on June 27, 2018.

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

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

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

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State's response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2019 Bonds, and the District takes no responsibility for informing owners of the Series 2019 Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov**, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov**. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2018-19 State Budget. The Governor signed the fiscal year 2018-19 State Budget (the "2018-19 State Budget") on June 27, 2018. The 2018-19 State Budget sets forth a balanced budget for fiscal year 2018-19 that projects approximately $133.33 billion in revenues, and $83.82 billion in non-Proposition 98 expenditures and $54.87 billion in Proposition 98 expenditures. The 2018-19 State Budget includes a $1.96 billion reserve in the Special Fund for Economic Uncertainties. The 2018-19 State Budget uses dedicated proceeds from Proposition 2 to pay down approximately $1.75 billion in past budgetary borrowing and State employee pension liabilities. The 2018-19 State Budget includes total funding of $97.2 billion ($56.1 billion General Fund and $41.1 billion other funds) for all kindergarten through grade 12 ("K-12") education programs. The 2018-19 State Budget provides $3.7 billion in new funding for the LCFF, which fully implements the school district and charter school formula two years earlier than originally scheduled, including both a 2.71% cost of living adjustment and an additional $570 million above the cost of living adjustment as an ongoing increase to the formula. The 2018-19 State Budget also provides $300 million one-time Proposition 98 General Fund resources for the Low-Performing Students Block Grant, which will provide resources in addition to LCFF funds to local educational agencies with students who perform at the lowest levels on the State's academic assessments and do not generate supplemental LCFF funds or State or federal special education resources.

Certain budgeted adjustments for K-12 education set forth in the 2018-19 State Budget include the following:

- Statewide System of Support. The 2018-19 State Budget includes $57.8 million in Proposition 98 General Fund resources for county offices of education to provide technical assistance to school districts, of which $4 million will go towards geographical regional leads to build systemwide capacity to support school district improvement.

- Multi-Tiered Systems of Support (MTSS). The 2018-19 State Budget includes $15 million one-time Proposition 98 General Fund resources to expand the State's MTSS framework to foster positive school climate in both academic and behavioral areas.

- Community Engagement Initiative. The 2018-19 State Budget includes $13.3 million one-time Proposition 98 General Fund resources for the California Collaborative for Educational Excellence and a co-lead county office of education to help school districts build capacity for community engagement in the local control and accountability plan ("LCAP") process.

- California Collaborative for Educational Excellence. The 2018-19 State Budget includes $11.5 million Proposition 98 General Fund resources to support the California Collaborative for Educational Excellence in its role within the statewide system of support.

- Special Education Local Plan Area (SELPA) Technical Assistance. The 2018-19 State Budget includes $10 million Proposition 98 General Fund resources for SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance (specific to students with exceptional needs) within the statewide system of support.

- Dashboard Improvement. The 2018-19 State Budget includes $300,000 one-time Proposition 98 General Fund resources to improve the user interface of the California School Dashboard.

- LCFF Budget Summary for Parents. The 2018-19 State Budget includes $200,000 one-time Proposition 98 General Fund resources to develop the electronic template for the LCFF Budget Summary for Parents, which will help stakeholders better understand funding decisions made within the LCAP.

- LCAP Redesign. The 2018-19 State Budget includes $200,000 one-time Proposition 98 General Fund resources to support intended future legislation to streamline the LCAP.

- Strong Workforce Program. The 2018-19 State Budget includes $164 million ongoing Proposition 98 General Fund resources to establish a K-12 specific component within the Strong Workforce Program designed to encourage local educational agencies to offer high-quality career technical education programs that are aligned with needed industry skills and regional workforce development efforts occurring through the existing Strong Workforce Program.

- Career Technical Education Incentive Grant Program. The 2018-19 State Budget includes $150 million ongoing Proposition 98 General Fund resources to make permanent the Career Technical Education Incentive Grant Program.

- Inclusive Early Education Expansion Program. The 2018-19 State Budget creates the Inclusive Early Education Expansion Program, providing $167.2 million one-time Proposition 98 General Fund resources through a competitive grant program to increase the availability of inclusive early education and care for children aged zero to five years old, especially in low-income areas and in areas with relatively low access to care.

The complete 2018-19 State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2019-20 State Budget. The Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 State Budget") on January 10, 2019. The Proposed 2019-20 State Budget sets forth a balanced budget for fiscal year 2019-20. However, the Governor cautions that there are uncertainties that must be considered as the budget is revised, including the impact of the global political and economic climate, changes to federal policy, rising costs and risk of recession. The Proposed 2019-20 State Budget estimates that total resources available in fiscal year 2018-19 totaled approximately $149.32 billion (including a prior year balance of approximately $12.38 billion) and total expenditures in fiscal year 2018-19 totaled approximately $144.08 billion. The Proposed 2019-20 State Budget projects total resources available for fiscal year 2019-20 of approximately $147.86 billion, inclusive of revenues and transfers of approximately $142.62 billion and a prior year balance of $5.24 billion. The Proposed 2019-20 State Budget projects total expenditures of $144.19 billion, inclusive of non-Proposition 98 expenditures of approximately $88.90 billion and Proposition 98 expenditures of approximately $55.30 billion. The Proposed 2019-20 State Budget proposes to allocate approximately $1.39 billion of the general fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $2.28 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the Proposed 2019-20 State Budget estimates the Rainy Day Fund will have a fund balance of $15.30 billion.

Certain budgeted adjustments for K-12 education set forth in the Proposed 2019-20 State Budget include the following:

- Local Control Funding Formula. The Proposed 2019-20 State Budget includes an increase of $2 billion in Proposition 98 general fund resources for the LCFF.

- CalSTRs Pension Costs. The Proposed 2019-20 State Budget includes a $3 billion one-time payment of non-Proposition 98 general fund resources to CalSTRs to reduce long-term liabilities for local educational agencies and community colleges, of which $700 million will go towards buying down employer contribution rates in 2019-20 and 2020-21. The remaining 2.3 billion will be allocated to the employers' long-term unfunded liability.

- Statewide System of Support. The Proposed 2019-20 State Budget includes an increase of $20.2 million of Proposition 98 general fund resources for county offices of education to provide technical assistance to school districts, consistent with the formula adopted in the 2018-19 State Budget.

- Reporting Systems Improvement. The Proposed 2019-20 State Budget includes an increase of $350,000 of one-time Proposition 98 general fund resources to merge the California School Dashboard, the LCAP electronic template, and other school site and school district reporting tools (including the School Accountability Report Card) into a single web-based application. The consolidated system will provide the public access to a single platform for information, streamline the existing reporting systems and eliminate duplicative and outdated information.

- Special Education. The Proposed 2019-20 State Budget includes $576 million of Proposition 98 general fund resources, of which $186 million is on a one-time basis, to support expanded special education services and school readiness supports at local educational agencies with high percentages of both students with disabilities and unduplicated students who are low-income, youth in foster care, and English language learners.

- Access to Full-Day Kindergarten Programs. The Proposed 2019-20 State Budget includes an increase of $750 million of one-time non-Proposition 98 general fund resources to increase participation in kindergarten programs by constructing new or retrofitting existing facilities for full-day kindergarten programs.

- Longitudinal Education Data. The Proposed 2019-20 State Budget includes an increase of $10 million of one-time non-Proposition 98 general fund resources for the development of a longitudinal data system to improve coordination across educational data systems and track the impact of state investments on achieving educational goals. This system will host student information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies. Stakeholder meetings will be held to consider data reliability and ways to improve data quality at each education segment.

- Proposition 98 Certification. The Proposed 2019-20 State Budget proposes to revise the Proposition 98 certification process to eliminate the cost allocation schedule and prohibit the State from adjusting Proposition 98 funding levels for a prior fiscal year in order to protect local educational agencies from unanticipated revenue drops in past fiscal years.

- School District Average Daily Attendance. The Proposed 2019-20 State Budget includes a decrease of $388 million of Proposition 98 general fund resources in 2018-19 for school districts as a result of a decrease in projected average daily attendance from the 2018-19 State Budget, and a decrease of $187 million of Proposition 98 general fund resources in 2019-20 for school districts as a result of further projected decline in average daily attendance for 2019-20.

- Local Property Tax Adjustments. The Proposed 2019-20 State Budget includes a decrease of $283 million of Proposition 98 general fund resources for school districts and county offices of education in 2018-19 as a result of higher offsetting property tax revenues, and a decrease of $1.25 billion of Proposition 98 general fund resources for school districts and county offices of education in 2019-20 as a result of increased offsetting property taxes

- Cost-of-Living Adjustments. The Proposed 2019-20 State Budget includes an increase of $187 million of Proposition 98 general fund resources to support a 3.46% cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, the Mandates Block Grant, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- CalWORKs Stages 2 and 3 Child Care. The Proposed 2019-20 State Budget includes a net increase of $119.4 million of non-Proposition 98 general fund resources in 2019-20 to reflect increases in the number of CalWORKs child care cases. Total costs for Stage 2 and Stage 3 child care are $597 million and $482.2 million, respectively.

- Full-Year Implementation of Prior Year State Preschool Slots. The Proposed 2019-20 State Budget includes an increase of $26.8 million of Proposition 98 general fund resources to reflect full-year costs of 2,959 full-day State Preschool slots implemented part-way through fiscal year 2018-19.

- County Offices of Education. The Proposed 2019-20 State Budget includes an increase of $9 million of Proposition 98 general fund resources for county offices of education to reflect a 3.46% cost-of-living adjustment and average daily attendance changes applicable to the LCFF.

- Instructional Quality Commission. The Proposed 2019-20 State Budget includes an increase of $279,000 of one-time non-Proposition 98 general fund resources for the Instructional Quality Commission to continue its work on the development of model curriculum and frameworks.

- Emergency Readiness, Response and Recovery Grant. The Proposed 2019-20 State Budget includes an increase of $50 million of one-time non-Proposition 98 general fund resources to commence a comprehensive, statewide education campaign on disaster preparedness and safety.

The complete Proposed 2019-20 State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of Proposed 2019-20 State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the Proposed 2019-20 State Budget entitled "The 2019-20 Budget: Overview of the Governor's Budget" on January 14, 2019 (the "2019-20 Proposed Budget Overview"). In the 2019-20 Proposed Budget Overview, the LAO summarizes the condition of the Proposed 2019-20 State Budget in light of uncertainties such as market volatility, rising costs and risk of recession. The LAO also highlights key features of the Proposed 2019-20 State Budget, which include prioritizing debt repayments and one-time programmatic spending and the early introduction of new policy goals.

The LAO notes that the Proposed 2019-20 State Budget is in a positive position, based in large part on the availability of significant discretionary resources in the amount of $20.6 billion. The LAO explains that this is due to the administration's higher revenue assumptions and lower-than-expected spending in health and human services programs. The LAO anticipates that capital gains revenues will likely be lower than the Proposed 2019-20 State Budget assumes due to the recent volatility of the financial market, including the sharp decline in stock prices at the end of 2018. However, the LAO suggests that any losses in capital gains revenues would likely be off-set by lower constitutionally required spending and reserve deposits. As a result, the LAO explains that under current conditions, the net effect on discretionary resources would be less than the full revenue decline. Although the LAO maintains a positive outlook on the Proposed 2019-20 State Budget, the LAO recognizes that the current financial market and economic conditions can change significantly and affect revenues in the May Revision of the Proposed 2019-20 State Budget.

The LAO summarizes that the Proposed 2019-20 State Budget allocates $20.6 billion in discretionary resources among a variety of priorities, including $9.7 billion for reducing debts and liabilities on a one-time basis, $5.1 for programmatic spending on a one-time basis, $2.7 billion for ongoing spending and $3 billion for reserves. The LAO points out that the Proposed 2019-20 State Budget uses a significant portion of discretionary resources for debt repayment and prioritizes one-time spending for programmatic expansions. The LAO finds this allocation prudent even though the Proposed 2019-20 State Budget apportions a smaller share of resources for reserves than recent budgets. The LAO explains that this approach benefits the budget in future years and in some cases reduces ongoing spending growth.

The LAO notes that the Proposed 2019-20 State Budget apportions $2.7 billion for ongoing spending, which will reach an estimated $3.5 billion under full implementation as costs grow over time. The LAO explains that these expenditure levels are in line with estimates of available ongoing resources.

However, the LAO cautions that these costs could grow due to various uncertainties not captured in the spending proposals, such as increased costs for CalWORKs grants in case of recession and costs for disaster mitigation, response and recovery. The LAO further notes that while the Proposed 2019-20 State Budget includes mostly one-time spending for these purposes, they are more likely to be ongoing costs.

The LAO explains that the Proposed 2019-20 State Budget establishes a number of policy goals, including developing a plan for implementing universal preschool, negotiating existing state prescription drug prices and reviewing related negotiation and procurement practices, and expanding paid family leave. The LAO notes that these proposals are still in the process of development and, therefore, are not reflected in the administration's budget bottom line. The LAO finds that by proposing these policy goals at the beginning of the budget process, the Governor gives the State Legislature the opportunity to collaborate with the administration to shape these policies.

The 2019-20 Proposed Budget Overview is available on the LAO website at **www.lao.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2019-20 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2019-20 State budget from the Proposed 2019-20 State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2019-20 State budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2019-20 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2019-20 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Series 2019 Bonds are payable from *ad valorem* property taxes, the State budget is not expected to have an impact on the payment of the Series 2019 Bonds.

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

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

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

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is an LCFF district.

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

- A Base Grant for each local education agency ("LEA"). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2018-19, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to $8,235 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $7,571 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $7,796 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to $9,269 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12. Further, this amount also includes the higher costs-of-living adjustment of 3.70% authorized by the 2018-19 State Budget, which is known as "super COLA."

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

- An additional Concentration Grant of up to 50% of a LEA's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.

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

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

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

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

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

Attendance and LCFF. The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 through 2018-19, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education students serviced by the County.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2013-14 through 2018-19

		A.D.A./Base Grant					Enrollment[9]	
Fiscal Year		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	Unduplicated Percentage of EL/LI Students
2013-14	A.D.A.[2]:	671.06	515.47	325.96	673.56	2,186.05	2,270	60.93%
	Targeted Base Grant[3]:	$7,675	$7,056	$7,266	$8,638	--	--	--
2014-15	A.D.A.[2]:	663.95	522.08	339.17	663.37	2,188.57	2,275	61.41%
	Targeted Base Grant[3][4]:	$7,740	$7,116	$7,328	$8,712	--	--	--
2015-16	A.D.A.[2]:	671.82	531.64	356.48	664.90	2,224.84	2,311	61.17%
	Targeted Base Grant[3][5]:	$7,820	$7,189	$7,403	$8,801	--	--	--
2016-17	A.D.A.[2]:	684.01	528.65	365.15	690.96	2,268.77	2,419	60.19%
	Targeted Base Grant[3][6]:	$7,820	$7,189	$7,403	$8,801	--	--	--
2017-18	A.D.A.[2]:	659.82	510.66	365.91	691.90	2,264.29	2,407	59.86%
	Targeted Base Grant[3][7]:	$7,941	$7,301	$7,518	$8,939	--	--	--
2018-19[1]	A.D.A.[1]:	695.37	510.60	365.91	690.96	2,262.84	2,407	59.18%
	Targeted Base Grant[3][8]:	$8,235	$7,571	$7,796	$9,269	--	--	--

(1) Figures are projections based on the first interim report for fiscal year 2018-19; these projections will be revised throughout such fiscal year.
(2) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(3) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and include the grade span adjustment, but do not include any supplemental and concentration grants under the LCFF. Such amounts were not expected to be fully funded in fiscal years shown above. However, the LCFF is now fully implemented as of the current fiscal year 2018-19 – two years ahead of its anticipated implementation.
(4) Targeted fiscal year 2014-15 Base Grant amount reflects a 0.85% cost-of-living adjustment from targeted fiscal year 2013-14 Base Grant amounts.
(5) Targeted fiscal year 2015-16 Base Grant amount reflects a 1.02% cost-of-living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
(6) Targeted fiscal year 2016-17 Base Grant amount reflects a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.
(7) Targeted fiscal year 2017-18 Base Grant amount reflects a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.
(8) Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts. This "super COLA" amount was authorized by the 2018-19 State Budget and exceeds the statutory 2.71% cost-of-living adjustment.
(9) Reflects enrollment as of October report submitted to the California Department of Education through CBEDS for the 2013-14 and 2014-15 school years and California Longitudinal Pupil Achievement Data System ("CALPADS") for the 2015-16 through 2017-18 school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students was expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment was based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI Students was based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Hilmar Unified School District.

The District received approximately $20.69 million in aggregate revenues reported under LCFF sources in fiscal year 2017-18 and has projected to receive approximately $21.95 million in aggregate revenues under the LCFF in fiscal year 2018-19 (or approximately 83.55% of its general fund revenues in fiscal year 2018-19). Such amount includes supplemental grants and concentration grants, projected to be approximately $2,231,000 and $393,949, respectively, in fiscal year 2018-19.

Local Sources of Education Funding

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

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

Local property tax revenues account for approximately 26.40% of the District's aggregate revenues reported under LCFF sources and are projected to be approximately $5.80 million, or 22.06% of total general fund revenues in fiscal year 2018-19.

For information about the property taxation system in California and the District's property tax base, see the sections titled "– Property Taxation System," "–Assessed Valuation of Property within the District," and "–Tax Charges and Delinquencies" under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS" in the front portion of the Official Statement

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

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

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

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

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 3.61% (or approximately $948,735) of the District's general fund projected revenues for fiscal year 2018-19.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues, consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Other State revenues comprise approximately 11.15% (or approximately $2.93 million) of the District's general fund projected revenues for fiscal year 2018-19.

A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is projected at approximately $481,011 for fiscal year 2018-19.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Other local revenues comprise approximately 1.68% (or approximately $441,523) of the District's general fund projected revenues for fiscal year 2018-19.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2018, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's independent auditor, Kemper CPA Group LLP, Certified Public Accountants and Consultants, Merced, California, for fiscal years 2013-14 through 2017-18.

Kemper CPA Group LLP, Certified Public Accountants and Consultants has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and it has not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following table sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2013-14 through 2017-18.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2013-14 through 2017-18

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
REVENUES					
Local control funding formula sources:					
State apportionments	$10,620,829	$11,799,736	$13,540,946	$14,728,842	$14,903,112
Local sources	4,182,322	4,657,109	5,285,164	5,475,115	5,787,829
Federal revenue	1,214,904	1,280,933	1,220,898	1,109,609	1,001,146
Other state revenue	1,648,600	1,791,581	3,318,779	2,849,830	2,719,631
Other local revenue	386,226	686,049	676,769	1,232,689	709,370
Total Revenues	18,052,881	20,215,408	24,042,556	25,396,085	25,121,088
EXPENDITURES					
Instruction	11,457,216	12,575,027	13,852,795	15,365,530	15,681,109
Instructional supervision and administration	179,921	339,327	347,767	401,273	418,678
Instructional library, media and technology	123,893	141,347	155,207	152,030	161,607
School site administration	1,314,171	1,405,921	1,557,490	1,711,019	1,752,572
Home-to-school transportation	780,824	774,909	1,061,383	1,259,204	982,628
Food services	27,983	59,420	23,784	43,216	53,924
All other pupil services	728,425	930,677	1,103,117	1,261,891	1,458,469
Centralized data processing	170,769	228,022	241,644	235,037	233,797
All other general administration	977,496	1,135,794	1,241,568	1,315,622	1,262,302
Plant services	1,817,591	2,018,329	2,302,272	2,572,856	2,462,085
Facility acquisition and construction	-	60,000	52,439	258,850	181,297
Ancillary services	321,762	356,638	356,844	427,223	426,366
Community services	30,792	25,110	30,640	30,240	37,168
Transfers to other agencies	242,429	242,424	256,786	292,830	304,065
Debt service – issuance costs	14,866	-	-	-	-
Debt service – principal	19,048	9,981	-	-	-
Debt service – interest	1,390	237	-	-	-
Total Expenditures	18,208,576	20,303,163	22,583,736	25,326,821	25,416,067
Excess (Deficiency) of Revenues Over (Under) Expenditures	(155,695)	(87,755)	1,458,820	69,264	(294,979)
Other Financing Sources (Uses):					
Operating transfers in	24,938	110,764	312,025	-	-
Operating transfers out	(30,822)	(255,127)	(1,064,152)	-	-
Total other financing sources (uses)	(5,884)	(144,363)	(752,127)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(161,579)	(232,118)	706,693	69,264	(294,979)
Fund Balance, July 1	3,214,624	3,053,045	2,820,927	4,668,657[1]	4,737,921
Fund Balance, June 30	$3,053,045	$2,820,927	$3,527,620	$4,737,921	$4,442,942

[1] The beginning fund balance for fiscal year 2016-17 includes the balance in Fund 17 in the amount of $1,141,037, which results in a beginning fund balance of $4,668,657.
Source: Hilmar Unified School District Audited Financial Reports for fiscal years 2013-14 through 2017-18.

The following table shows the general fund balance sheet of the District for fiscal years 2013-14 through 2017-18.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2013-14 through 2017-18

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
ASSETS					
Cash in county treasury	$2,641,535	$3,333,063	$4,053,540	$5,099,418	$5,120,506
Cash in revolving fund	5,500	5,500	5,500	5,500	5,500
Cash with fiscal agent	30,822	-	-	-	-
Accounts receivable	2,254,227	550,210	449,020	793,168	422,664
Due from other funds	24,640	-	-	2,646	25,609
Total Assets	4,956,724	3,888,773	4,508,060	5,900,732	5,574,279
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$1,821,657	$ 877,659	$ 849,857	$ 876,999	$ 840,127
Due to other funds	30,822	90,000	-	-	354
Unearned revenue	51,200	100,187	130,583	285,812	290,856
Total Liabilities	1,903,679	1,067,846	980,440	1,162,811	1,131,337
FUND BALANCES:					
Nonspendable	5,500	5,500	5,500	5,500	5,500
Restricted	592,865	420,978	820,860	688,145	753,128
Assigned	974,985	941,919	699,531	1,832,538	1,549,189
Unassigned	1,479,695	1,452,530	2,001,729	2,211,738	2,135,125
Total Fund Balances	3,053,045	2,820,927	3,527,620	4,737,921	4,442,942
Total Liabilities and Fund Balances	$4,956,724	$3,888,773	$4,508,060	$5,900,732	$5,574,279

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

District Budget Process and County Review

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 County of Merced Superintendent of Schools.

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

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

Subsequent to approval, the county superintendent will monitor each 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 the subsequent year's 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, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's governing board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the county superintendent may not abrogate any provision of 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 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that 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 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. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent in that fiscal year or in the next succeeding year. In the last five years, the District has not received a negative or qualified certification for an interim financial report.

For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent of schools, receive an emergency appropriation from the State, the acceptance of which constitutes an agreement to submit to management of the school district by a Superintendent appointed administrator.

In the event the State elects to provide an emergency appropriation to a school district, such appropriation may be accomplished through the issuance of "State School Fund Apportionment Lease Revenue Bonds" to be issued by the California Infrastructure and Economic Development Bank, on behalf of the school district. State law provides that so long as such bonds are outstanding, the recipient school district (via its State-appointed administrator) cannot file for bankruptcy.

The following table sets forth the District's adopted general fund budgets for fiscal years 2016-17 through 2018-19, unaudited actuals for fiscal years 2016-17 and 2017-18, and first interim report for fiscal year 2018-19.

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HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
General Fund Budgets for Fiscal Years 2016-17 through 2018-19, Unaudited Actuals for Fiscal Years 2016-17 and 2017-18 and First Interim Report for Fiscal Year 2018-19

	2016-17 Original Adopted Budget	2016-17 Unaudited Actuals[1]	2017-18 Original Adopted Budget	2017-18 Unaudited Actuals[1]	2018-19 Original Adopted Budget	2018-19 First Interim Report[2]
REVENUES						
LCFF Sources	$19,841,171.00	$20,203,956.52	$20,626,745.00	$20,690,941.50	$21,842,464.00	$21,954,163.00
Federal Revenue	1,104,849.00	1,109,608.25	847,288.00	1,001,147.33	902,281.00	948,735.60
Other State Revenue	1,925,669.00	2,849,831.56	1,883,133.00	2,719,631.40	2,244,104.00	2,930,597.13
Other Local Revenue	562,894.44	1,219,902.34	344,200.00	692,534.15	318,590.06	441,523.40
TOTAL REVENUES	23,434,583.44	25,383,298.67	23,701,366.00	25,104,254.38	25,307,439.06	26,275,019.13
EXPENDITURES						
Certificated Salaries	10,621,377.00	10,985,211.88	11,183,964.00	11,657,174.98	11,797,315.00	11,813,911.93
Classified Salaries	3,703,410.00	3,800,498.75	3,838,260.00	3,954,283.40	4,021,451.00	4,119,270.89
Employee Benefits	5,624,952.00	5,688,244.43	5,720,189.00	6,052,807.98	6,519,417.00	6,547,110.00
Books and Supplies	1,452,273.44	1,499,233.26	1,408,547.00	1,202,173.82	1,199,785.06	2,413,401.88
Services, Other Operating Expenses	2,021,418.00	2,213,600.55	1,842,157.00	1,888,091.23	1,733,024.00	2,324,381.15
Capital Outlay	136,612.00	847,202.51	-	382,665.82	-	163,077.00
Other Outgo (excluding Direct Support/Indirect Costs)	280,749.00	292,830.44	239,709.00	304,064.77	355,523.00	345,251.00
Other Outgo - Transfers of Indirect Costs	-	-	-	(25,192.00)	-	-
TOTAL EXPENDITURES	23,840,791.44	25,326,821.82	24,232,826.00	25,416,070.00	25,626,515.06	27,726,403.85
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(406,208.00)	56,476.85	(531,460.00)	(311,815.62)	(319,076.00)	(1,451,384.72)
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	81,244.00	437,553.09	81,244.00	703,270.40	81,244.00	234,744.00
Inter-fund Transfers Out	-	(473,622.00)	-	(331,000.00)	-	(370,000.00)
Other Sources (Uses)	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	81,244.00	(36,068.91)	81,244.00	372,270.40	81,244.00	135,256.00
NET INCREASE (DECREASE) IN FUND BALANCE	(324,964.00)	20,407.94	(450,216.00)	60,454.78	(237,832.00)	(1,586,640.72)
BEGINNING BALANCE, as of July 1	2,356,665.44	3,527,620.06	2,498,661.11	3,548,028.00	2,119,884.94	3,608,482.78
Audit Adjustments	-	-	-	-	-	-
As of July 1 – Audited	2,356,665.44	3,527,620.06	2,498,661.11	3,548,028.00	2,119,884.94	3,608,482.78
Other Restatements	-	-	-	-	-	-
Adjusted Beginning Balance	2,356,665.44	3,527,620.06	2,498,661.11	3,548,028.00	2,119,884.94	3,608,482.78
ENDING BALANCE	$2,031,701.44	$3,548,028.00	$2,048,445.11	$3,608,482.78	$1,882,052.94	$2,021,842.06
Unrestricted Ending Balance	$2,031,701.44	$2,859,882.73	$2,048,445.11	$2,855,354.57	$1,882,052.94	$2,021,842.06
Restricted Ending Balance	-	$688,145.27	-	$753,128.21	-	-

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[1] The District's unaudited actuals for fiscal years 2016-17 and 2017-18 differ from the District's audited financial statements for such fiscal years because the unaudited actuals do not include the activity of the Special Reserve Other-Than Capital Outlay Fund. The District's audited financial statements consolidate the activity of the Special Reserve Other-Than Capital Outlay Fund with the General Fund in accordance with GASB Statement No. 54.
[2] Figures are projections.
Hilmar Unified School District original adopted budgets for fiscal years 2016-17 through 2018-19; unaudited actuals for fiscal years 2016-17 and 2017-18; and first interim report for fiscal year 2018-19.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2018, consisted of the following:

Long-Term Debt	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
General obligation bonds payable[1]	$ 848,623	$ -	$ 84,685	$ 763,938	$ 82,272
Bond premium payable	7,457	-	746	6,711	746
Net OPEB obligation	1,911,138	3,672,086	-	5,583,224	-
Net pension obligation	21,213,408	6,198,412	1,871,004	25,540,816	-
Compensated absences payable	196,800	19,754	-	216,554	216,554
Total	$24,177,426	$9,890,252	$1,956,435	$32,111,243	$299,572

[1] Does not reflect the issuance of the Series 2019 Bonds.
Source: Hilmar Unified School District Audited Financial Report for fiscal year 2017-18.

General Obligation Bonds. In addition to the Series 2019 Bonds, the District has one series of general obligation bonds outstanding which is secured by *ad valorem* taxes levied upon all property subject to taxation by the District on a parity with the Series 2019 Bonds.

See "THE SERIES 2019 BONDS – Outstanding Bonds" and "– Aggregate Debt Service" in the front portion of this Official Statement for more information about such outstanding bonds.

Operating Leases. The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All of the agreements contain termination clauses providing for cancellation after providing notice, but it is unlikely the District will cancel any of its leases prior to the expiration date. The District will not receive any sublease rental revenue, nor pay any contingent rentals for the equipment. See Note 6 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with California State Teacher's Retirement System "CalSTRS") and the State Public Employees' Retirement System ("CalPERS") (see "– Retirement Benefits" below), the District provides a single-employer defined benefit healthcare plan offering medical, dental and vision insurance to its eligible retirees (the "Plan"). The Plan is administered by Self-Insured Schools of California Health and Welfare Benefits Program (SISC III). Certificated and certificated management employees who have attained age 55 and have completed at least 20 years of full-time service with the District are eligible to retire and receive District-aid medical, prescription drug, dental and vision coverage, subject to annual cap that is currently $11,000 per year and is frozen in the year of retirement. District-paid benefits end at age 65. Classified and classified management employees follow the same rules as certificated and certificated management, except that they must earn 20 years of full-time equivalent service as calculated by CalPERS. Employees hired on or after July 1, 2014 must have attained age 60 (rather than 55) in order to be eligible for District benefits. Employees hired subsequent to July 1, 2016 are not eligible for the Plan. For a description of the District's program, see Note 12 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

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

Demsey Filliger & Associates has prepared an actuarial valuation (the "Actuarial Valuation") covering the District's retiree health benefits and reports that, as of July 1, 2016 valuation date, the District had 24 inactive plan members or beneficiaries receiving benefits and 204 active plan members, resulting in 228 total members of the Plan. The District finances benefits on a pay-as-you-go basis. The Actuarial Valuation reports that the District has a total OPEB liability of $5,583,224. For fiscal year 2017-18, the District contributed $118,625 of pay-as-you-go contributions plus an implicit subsidy amount of $67,842. The Actuarial Valuation assumes, among other things, 3.0% salary increases, 5.0% healthcare cost trend rate for 2017 and later years. For more information about the District's annual required contribution for fiscal year 2017-18 and the District's net OPEB obligation and prefunding of benefits at June 30, 2018, see Note 12 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Tax and Revenue Anticipation Notes. The most recent fiscal year in which the District issued tax and revenue anticipation notes ("TRANS") was February 2013. The District does not expect to issue TRANS or borrow funds to supplement the District's cash flow in fiscal year 2018-19. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

Employment

As of December 2018, the District employed 139.28 full-time equivalent ("FTE") certificated employees and 74.32 full-time equivalent classified employees. For fiscal year 2017-18, the total certificated and classified payrolls for all funds were approximately $11.66 million and $3.95 million, respectively, and are projected to be approximately $11.81 million and $4.12 million, respectively, in fiscal year 2018-19. These employees, except management employees, are represented by the bargaining units as noted below.

Name of Bargaining Unit	Number of FTEs Represented	Current Contract Expiration Date
Hilmar Unified Teachers Association	111.50	June 30, 2020(1)

(1) The District and the Hilmar Unified Teachers Association are in negotiations regarding a contract re-opener related to salary and benefits for fiscal year 2018-19. The District anticipates that such negotiations will conclude by the end of March 2019. As a result, the outcome of such negotiations is not reflected in the District's first interim report for fiscal year 2018-19, which is included herein, or the District's second interim report, which will be approved by the Board of Education on March 12, 2019.
Source: Hilmar Unified School District.

Retirement Benefits

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

CalSTRS. Contributions to CalSTRS are fixed in statute. For fiscal year 2013-14, covered employees contributed 8.00% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Prior to fiscal year 2014-15 and unlike typical defined benefit programs such as those administered by CalPERS, neither the CalSTRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the member and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to system-wide unfunded liability resulting from recent benefit enhancements.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implemented a new funding strategy for CalSTRS and increased the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. AB 1469 increased member contributions, which were previously set at 8.00% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or after January 1, 2013 effective July 1, 2016. However, on July 1, 2018, for members hired on or after January 1, 2013, the rate increased from 9.205% of pay to 10.250% of pay. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.828% of payroll in fiscal year 2017-18, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 9.328%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

On February 1, 2017, the State Teachers' Retirement Board voted to adopt revised actuarial assumptions reflecting members' increasing life expectancies and current economic trends. The revised assumptions include a decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016 actuarial valuation, a decrease from 7.25% to a 7.00% investment rate of return for the June 30, 2017 actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.00% to a 2.75% price inflation factor.

As of June 30, 2017, an actuarial valuation (the "2017 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $107.3 billion, an increase of approximately $10.6 million from the June 30, 2016 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2017, June 30, 2016 and June 30, 2015, based on the actuarial assumptions, were approximately 62.6%, 63.7%, and 68.5%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2017 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," a 7.00% investment return assumption consistent with the State Teachers' Retirement Board's decision on February 1, 2017, 3.00% interest on member accounts, projected 3.50% wage growth, projected 2.75% inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2017 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "−Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

Pursuant to Assembly Bill 1469, school district's contribution rates will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	17.10
2020	18.10

Source: Assembly Bill 1469.

The following table sets forth the District's employer contributions to CalSTRS as well as the State's required non-employer contribution for fiscal years 2014-15 through 2017-18 and the projected contributions for fiscal year 2018-19.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
Contributions to CalSTRS for Fiscal Years 2014-15 through 2018-19

Fiscal Year	District's Contribution	State's On-Behalf Contribution
2014-15	$ 814,737	$ 480,631
2015-16	1,052,856	593,374
2016-17	1,348,617	822,554
2017-18	1,636,808	1,200,498
2018-19(1)	1,905,877	1,200,498

(1) First interim report for fiscal year 2018-19.
Source: Hilmar Unified School District.

The District's total employer contributions to CalSTRS for fiscal years 2014-15 through 2017-18 were equal to 100% of the required contributions for each year. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years.

The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

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

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

The districts are currently required to contribute to PERS at an actuarially determined rate, which was 11.847%, 13.888% and 15.531% of eligible salary expenditures for fiscal years 2015-16, 2016-17, and 2017-18, respectively, and 18.062% of eligible salary expenditures for fiscal year 2018-19. Plan participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which was 6% of their respective salaries in fiscal years 2015-16 and 2016-17, 6.50% in fiscal year 2017-18 and 7.00% in fiscal year 2018-19.

On April 17, 2013, the PERS board of administration (the "PERS Board") approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year amortization period for gains and losses and a five-year ramp-up of rates at the start and a five year ramp-down of rates at the end. The PERS Board delayed the implementation of the new policies until fiscal year 2015-16 for the State, schools and all other public agencies. In December 2016, the PERS Board voted to lower the discount rate from 7.5% to 7.375% for fiscal year 2017-18, 7.25% for fiscal year 2018-19 and 7.0% beginning in fiscal year 2019-20. The new discount rate for the State went into effect beginning July 1, 2017 and the new discount rate for school districts became effective July 1, 2018. With regards to districts that contract with PERS to administer their pension plans, the change in the assumed rate of return is expected to result in increases in such districts' normal costs and unfunded actuarial liabilities.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The cost of the revised assumptions shall be amortized over a 20 year period and related increases in public agency contribution rates shall be affected over a three year period, beginning in fiscal year 2014-15. The new demographic assumptions affect the State, school districts and all other public agencies.

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

On February 14, 2018, the PERS Board approved modifying the PERS amortization policy for investment gains/losses from 30 years to 20 years, requiring that the amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, and eliminating the 5-year ramp-up/ramp-down policy for all gains/losses except for the ramp-up policy for investment gains/losses. Such policy changes will be reflected in actuarial valuations beginning June 30, 2019, and will be implemented starting with fiscal year 2021-22 contributions. Such policy applies only to prospective accumulation of amortization and will not affect current accrued unfunded liabilities, with the exception that, with regards to the PERS Schools Pool Actuarial Valuation, the impact of the discount rate change from 7.25% to 7.00% in the June 30, 2019 valuation will be amortized under the old policy. Shortening the amortization period will increase employer contributions and help pay down the pension fund's unfunded liability faster, which may result in interest cost savings.

On April 18, 2018, the PERS Board established the employer contribution rates for fiscal year 2018-19 and released certain information from the PERS Schools Pool Actuarial Valuation as of June 30, 2017, ahead of its summer 2018 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution for fiscal year 2019-20 is projected to be 20.8%, with annual increases thereafter, resulting in a projected 25.7% employer contribution rate for fiscal year 2025-26.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2014-15 through 2017-18 and the projected contribution for fiscal year 2018-19.

HILMAR UNIFIED SCHOOL DISTRICT
(Merced County, California)
Contributions to CalPERS for Fiscal Years 2014-15 through 2018-19

Fiscal Year	Contribution
2014-15	$372,696
2015-16	420,103
2016-17	522,387
2017-18	595,220
2018-19[(1)]	750,188

(1) First interim report for fiscal year 2018-19.
Source: Hilmar Unified School District

The District's total employer contributions to CalPERS for fiscal years 2014-15 through 2017-18 were equal to 100% of the required contributions for each year. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "−Governor's Pension Reform" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

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

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $127,200 for 2017, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note 11 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities were typically included as notes to the government's financial statements); (ii) full pension costs are shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates are required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements, which generally increases pension expenses. Statement Number 67 became effective beginning in fiscal year 2013-14, and Statement Number 68 became effective beginning in fiscal year 2014-15.

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District participates in four joint ventures under joint powers agreements ("JPA") for insurance coverage as follows:

Merced County Schools Insurance Group I (MCSIG I). MCSIG I arranges for and provides workers compensation insurance for its member school districts.

Schools Association for Excess Risk (SAFER). SAFER arranges for and provides excess liability insurance coverage for its member school districts.

Self-Insured School of California (SISC III). SISC III arranges for and provides health and welfare benefits coverage for its member school districts.

Central Valley Schools JPA (CVSJPA). CVSJPA arranges for and provides property and liability insurance coverage for its member school districts.

The relationship between the District and the JPA is such that the JPA is not a component unit of the District for its financial reporting purposes. The JPA is governed by a board consisting of representatives from each member. Each member district within the JPA pays a premium commensurate with the level of coverage requested and shares of surpluses and deficits proportionate to their participation in the JPA. See Note 9 to the District's audited financial statements attached hereto as APPENDIX B— "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018" for more information.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

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

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

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

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

Article XIIIB of the California Constitution

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

Article XIIIC and Article XIIID of the California Constitution

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

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

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

Statutory Limitations

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

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

Proposition 98 and Proposition 111

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

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

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

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

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

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

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

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

Proposition 30 and Proposition 55

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

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

Applications of Constitutional and Statutory Provisions

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

Proposition 2

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

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

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

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

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediate after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The Series 2019 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Series 2019 Bonds as and when due.

Future Initiatives

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

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APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

HILMAR UNIFIED SCHOOL DISTRICT
COUNTY OF MERCED
HILMAR, CALIFORNIA
AUDIT REPORT

June 30, 2018

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FINANCIAL SECTION

KEMPER
CPA GROUP LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Hilmar Unified School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hilmar Unified School 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the California Code of Regulations, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

Basis for Qualified Opinion on the Fund Financial Statements

As discussed in Note 1 D, the fund financial statements of Hilmar Unified School District recognizes revenue from state apportionments, interest, certain grants, and other local resources on the full accrual basis in the fund financial statements. Generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board require revenues of governmental fund financial statements be recognized on a modified accrual basis. The effect of this departure from generally accepted accounting principles is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects on the financial statements of the items described in the preceding paragraph, 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 Hilmar Unified School District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2018 the District adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information as listed in the table of contents to 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 Hilmar Unified School District's basic financial statements. The other information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis 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,* Subpart F - Audit Requirements (Uniform Guidance) and is also not a required part of the basic financial statements.

The other information as listed in the table of contents 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. Except for other information identified as unaudited, 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, except for the effects on the other information of the qualified opinion on the fund financial statements as explained in the "Basis for Qualified Opinion on the Fund Financial Statements" paragraph, and except for the other information identified as unaudited for which we express no opinion or provide any assurance on, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2017 and 2016 for each of the two years in the period ended June 30, 2018 (none of which is presented herein), and we expressed qualified opinions on those financial statements for the same reasons we expressed qualified opinions on the 2018 financial statements. Those audits were conducted for purposes of forming an opinion on the financial statements as a whole. The June 30, 2017 and 2016 information presented in the Schedule of Financial Trends and Analysis, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2017 and 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for effects on the supplementary information of the qualified opinions on the basic financial statements as explained in the "Basis for Qualified Opinion on the Fund Financial Statements" paragraph, the June 30, 2017 and 2016 information presented in the Schedule of Financial Trends and Analysis is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of Hilmar 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 Hilmar Unified School District's internal control over financial reporting and compliance.

Kemper CPA Group LLP

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants
Merced, California
December 17, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Hilmar Unified School District's (HUSD) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. It is being reported under the Governmental Accounting Statement Board Number 34 (GASB 34) format, with comparative information between the fiscal year ending June 30, 2017 and 2018 respectively. Please read it in conjunction with the District's financial statements that immediately follow this section.

The Hilmar Unified School District provides education for students in grades K-12. The District currently operates six schools; Merquin Elementary School (grades K-5), Elim Elementary School (grades K-5), Hilmar Middle School (grades 6-8), Hilmar High School (grades 9-12), Colony Basic Skills Alternative High School and Irwin Continuation High School.

A dedicated and supportive staff of teachers and support personnel serves the student population of the Hilmar Unified School District. The District's enrollment as of October 2017 was 2,387 and its average daily attendance (ADA) as of April 2018 was 2,245.64. In the 2017-2018 fiscal year the District experienced a decrease of 6.58 ADA over the prior year's P2 reporting period.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all the activities of the Hilmar Unified School District using the integrated approach as prescribed by GASB Statement Number 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. The District statements present only governmental activities as the District has no business-type activities. These statements include all assets of the District (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

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 other funds to help 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.

This fiscal year the General Fund, the Special Revenue Fund and the Capital Facilities Fund are considered major funds for Hilmar Unified School District as per GASB 34 reporting criteria.

Fund Financial Statements include statements for governmental funds and fiduciary funds. *Governmental funds* include most of the school district's programs and services. *Fiduciary funds* are only used by the agency to report a balance sheet and do not have a measurement focus.

Governmental funds include all the funds that the District operates. Most of the District's activities are reported in these funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. Governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. The differences created by the integrated approach between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The District uses an agency fund to account for resources held for student activities and groups. These funds include student body funds and scholarships. The Hilmar Unified School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate Statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The Hilmar Unified School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

REPORTING THE DISTRICT AS A WHOLE
The Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities using the full accrual basis of accounting similar to the accounting used by private sector businesses. All current year's revenue and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health or financial position. Since Hilmar Unified School's responsibility is to provide services to our students and not to generate a profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education, class sizes, condition of facilities, student enrollment data and safety of our schools will all be important components of this evaluation.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The Local Control Funding Formula (LCFF), current State's school finance system, continues to increase funding for school districts with full implementation expected to take place in 20/21.

In 17/18 the additional funding Hilmar Unified School District received to bridge the gap between the 16/17 funding level and this formula's target level was 42.97%; which translates to an increase of $210 per Average Daily Attendance. Since 2013/2014, the year LCFF was implemented, the District has received approximately 97% of the target funding.

Approximately 60% of the District's pupils are eligible for free and reduced price meals, or are classified as English Learners, Migrant, or as Foster Youth. The commitment to increase student achievement at all levels continues by allocating supplemental and concentration funding to increase and/or strengthen services and resources for this student population.

This fiscal year the District increased salaries by 3%, scheduled two voluntary professional development days in the 18/19 school year, funded a one-time bonus in the amount of $1,000 per FTE and recognized step and column for all employees.

At June 30th reserves for economic uncertainties were at 8.29%. The Unrestricted General Fund decreased by approximately $76,600 over prior year.

The District has implemented GASB Statement Number 75. This requires the ending net position for 16/17 be reduced by $3,489,445 for the OPEB outstanding liability. This adjustment results in an ending net position of ($2,964,517) as compared to $524,928 originally reported for 16/17.

The Hilmar Unified School District's government-wide financial status decreased over the prior fiscal year. Total net assets decreased by $763,307 over the course of the year, from ($2,964,517) to ($3,727,824) for the year ending June 30, 2018 (see Table 3 for details).

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The -$20,545,748 in fiscal year 17/18 unrestricted net assets of governmental activities represents the accumulated result of all past years' operations. This amount includes the balance in the Special Revenue Fund which has been locally restricted for major capital outlay projects and the unfunded liability for other Post-Employment Benefits (OPEB) and STRS/PERS Pension Plans.

Table 1

	Governmental Activities		
	FY 17-18	FY 16-17	Difference
Current and other assets	$6,888,541	$7,135,148	-$246,607
Capital assets	15,623,244	16,064,762	-441,518
Total Assets	**$22,511,785**	**$23,199,910**	**-$688,125**
Deferred Outflows of Resources	**$8,017,796**	**$4,380,967**	**$3,636,829**
Current liabilities	1,233,398	1,250,831	-17,433
Long-term debt	32,111,243	24,177,426	7,933,817
Prior Period Restatement for OPEB Liability	0	3,489,445	-3,489,445
Total Liabilities	**$33,344,641**	**$28,917,702**	**$4,426,939**
Deferred Inflows of Resources	**$912,764**	**$1,627,692**	**-$714,928**
Total Net Assets	**-$3,727,824**	**-$2,964,517**	**-$763,307**
Net Assets:			
Invested in capital assets, net of related debt	$14,764,866	$15,128,342	-$363,476
Prior Period Restatement for OPEB Liability	0	-3,489,445	3,489,445
Restricted	2,053,058	1,914,881	138,177
Unrestricted	-20,545,748	-16,518,295	-4,027,453
Total Net Assets	**-$3,727,824**	**-$2,964,517**	**-$763,307**
Unrestricted:			
General Fund	$2,855,355	$2,859,883	
Special Revenue Fund	834,459	1,189,893	
STRS/PERS Pension Liabilities	-18,554,410	-18,460,133	
Compensated Absences	-216,554	-196,800	
Other Post Employment Benefits (OPEB)	-5,464,598	-1,911,138	
Total Unrestricted Assets	**-$20,545,748**	**-$16,518,295**	

Changes in Net Assets

The results of the past two years operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement and rearranges it slightly so you can see our total revenues and expenditures for the past two years along with the variance between the two fiscal years.

Table 2

	Governmental Activities		
	FY 17-18	FY 16-17	Difference
Revenues			
Program Revenues:			
Charges for services	$329,579	$659,079	-$329,500
Operating grants and contributions	3,521,666	4,423,205	-901,539
Capital grants and contributions	0	0	0
General Revenues:			
State LCFF sources	14,894,473	14,718,739	175,734
Property taxes	5,796,468	5,485,218	311,250
Taxes levied for debt service	170,257	166,060	4,197
Other general revenues	1,282,170	1,467,804	-185,634
Total Revenues	**$25,994,613**	**$26,920,105**	**-$925,492**
Expenses			
Instruction related	$18,635,441	$18,739,006	-$103,259
Student support services	3,606,002	3,337,415	268,635
Data processing	237,160	251,846	-14,682
Administration	1,382,286	1,339,492	42,812
Maintenance and operations	2,505,057	2,601,574	-96,492
Other	391,573	372,949	18,624
Total Expenses	**$26,757,519**	**$26,642,282**	**-$115,638**
Change in Net Assets (Revenues - Expenses)	**-$762,906**	**$277,823**	**-$1,041,130**

Detail to the Change in Net Assets

Total revenues for the District's governmental activities were $25,994,613 while total expenses were $26,757,519. The decrease in net assets for governmental activities was $762,906. Table 3 details the areas of where this variance took place.

Table 3

Detail to the change in net assets

	FY 17-18	FY 16-17	Difference
General Fund Unrestricted Balance	$2,140,625	$2,217,238	-$76,613
General Fund Restricted Balance	1,466,874	1,290,082	176,792
Cafeteria Fund Ending Balance	383,258	387,034	-3,776
Deferred Maintenance Account Ending Balance	984	40,708	-39,724
Special Revenue Fund Ending Balance	834,459	1,189,893	-355,434
Capital Facilities Fund Ending Balance	731,770	661,119	70,651
Bond Interest and Redemption Fund Ending Balance	184,902	178,583	6,319
Land	372,572	372,572	0
Improvement of Sites (less accumulated depreciation)	2,488,783	2,542,240	-53,457
Buildings (less accumulated depreciation)	11,285,412	11,681,189	-395,777
Equipment (less accumulated depreciation)	1,426,523	1,429,060	-2,537
Work in Progress	49,954	39,702	10,252
Compensated Absences Payable	-216,554	-196,800	-19,754
Interest on Capital Leases (due within next12 months)	-87,729	-80,341	-7,388
General Obligation Bonds Payable	-763,938	-848,623	84,685
STRS/PERS Net Pension Liability	-18,554,410	-18,460,133	24,349
Bond Premium Payable	-6,711	-7,457	746
Prior Year Restatement for OPEB Liability	0	-3,489,445	3,489,445
Other Post-Employment Benefits (OPEB)	-5,464,598	-1,911,138	-3,671,685
	-$3,727,824	**-$2,964,517**	**-$762,906**

Governmental Activities

As reported in the Statement of Activities, the cost of all our governmental activities this year was approximately $26.8 million as compared to $26.6 million in the prior year. The amount that our taxpayer's financed for these activities through local taxes was $6 million. Other costs were paid by those who benefited from the programs ($329,579) or by other governments and organizations who subsidized certain programs with grants and contributions ($3.5 million). We paid for the remaining "public benefit" portion of our governmental activities with unrestricted revenues; including, state LCFF funds, interest and general entitlements.

Table 4 presents the net cost of each of Hilmar Unified School's seven largest functions – Regular Program Instruction, Pupil Services, Student Transportation Services, Data Processing, Administration, Plant Services, and "Other" functions (total cost less revenues generated by the activities). As discussed above, net cost shows the impact that is placed on unrestricted revenues by each of these functions.

Table 4

Net Cost of Governmental Activities

	2017/2018		2016/2017		Difference
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services	
Instruction Related	$18,635,441	-$16,404,470	$18,739,007	-$15,537,215	-$867,561
Pupil Services	2,503,973	-1,245,871	2,377,536	-1,064,342	-181,565
Pupil Transportation	1,102,029	-1,087,243	959,879	-786,655	-300,600
Data Processing	237,160	-237,160	251,846	-251,787	14,623
Administration	1,382,286	-1,259,877	1,339,492	-1,226,421	-33,474
Maintenance and Operations	2,505,057	-2,372,129	2,601,574	-2,435,020	62,866
Other	391,573	-299,524	372,949	-258,559	-40,965
Sub-Totals	**$26,757,519**	**-$22,906,274**	**$26,642,283**	**-$21,559,999**	**-$1,346,676**
Unrestricted Revenues:					
Taxes for General & Debt Service		$5,966,725		$5,651,278	
Federal and State Aid		15,697,972		15,625,285	
Interest and investment earnings		71,225		53,704	
Other miscellaneous revenues		407,446		507,555	
Total Unrestricted Revenues		**$22,143,368**		**$21,837,822**	
Change in Net Assets		**-$762,906**		**$277,823**	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its Governmental Funds. As the District completed this year, its Governmental Funds reported a balance of $5,742,872; a decrease of $221,786 over last year's ending balance of $5,964,658. The details of this decrease are listed below:

a. Special Revenue Fund	-$355,434
b. Bond Interest and Redemption Fund	6,319
c. Cafeteria Fund	-3,777
d. Capital Facilities Fund	70,651
e. General Fund	60,455
	-$221,786

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, Hilmar Unified Schools had $16,065,000 million in a broad range of capital assets including; land, buildings, and furniture/equipment. The total net fixed assets for the current year totals $15,623,000 million. This represents a net decrease (including additions/deductions and depreciation) of approximately $442,000

Table 5

Capital Assets at Year-end
(Net of depreciation)

	Governmental Activities		
	FY 17-18	FY 16-17	Difference
Land	$372,572	$372,572	$0
Buildings and improvements	13,801,521	14,223,424	-421,903
Equipment	1,399,197	1,429,060	-29,863
Construction in Progress	49,954	39,702	10,252
Totals	**$15,623,244**	**$16,064,758**	**-$441,514**

Capital Assets (cont.)

<u>This Year's Additions/Deletions Include:</u>

- Fence between Elim Elementary and football field	$7,146
- Chain link fence with 3 gates in front of Elim Cafeteria	8,400
- Chain link fence at Irwin Playground Area	6,950
- Replaced roof at Hilmar Middle School Gym	19,085
- Remodeled donated relocatable building for the Custodial Department	36,031
- Pre-engineered metal storage building for Ag Department (donated)	19,875
District Office remodeling (phase 1)	120,070
- Shade structure for Packers storage containers (88% donated)	58,000
- Appliance for internet filtering	7,004
- 30' personnel lift - new	9,050
- Rodent (gopher) control machine	10,421
- Grasshopper lawnmower	26,567
- Plasma table with accessories	25,394
- Toro soil cultivator	6,342
- Kubota backhoe attachment	11,650
- Dump trailer	6,413
- Livestock trailer	35,197
- Cooler for Ag Floral	5,732
- 30' personnel lift – refurbished	6,462

Capital Assets (cont.)

Additions/Deletions cont.

- Three Bakers Pride full size convection ovens	19,581
- Two Dresser Wayne fuel pumps	19,512
- 2017 Chevrolet Colorado pick-ups for Custodial Department	28,440
Work in Progress:	10,252
- Tell Property – donated to HUSD 1.2 acres (value: $23,400)	
- Architect fees for potential portable restroom at Elim Elementary	
Disposal of Capital Assets:	-67,726
- 1992 Ford Ranger	
- 1994 Ford Ranger (extra-long)	
- eMega utility cart	
- eMega utility cart	
- Current depreciation expense on buildings, improvements and equipment	-877,362
	-$441,514

Long-Term Debt
During the 2017/2018 fiscal year the District's long term debt increased. Table 6 shows the detail of the variance.

Table 6

Outstanding Debt at Year-end

	Governmental Activities		
	FY 17-18	FY 16-17	Difference
General Obligation Bonds (includes bond premium)	$770,649	$856,080	$85,431
Compensated Absences	216,554	196,800	-19,754
STRS/PERS Net Pension Liability	25,540,816	21,213,408	-4,327,408
Prior year restatement for OPEB Liability	0	3,489,445	3,489,445
Other Post-Employment Benefits (OPEB)	5,583,224	1,911,138	-3,672,086
Totals	**$32,111,243**	**$27,666,871**	**-$4,444,372**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In June 2018, after a collective four terms in office, Governor Brown signed his final State Budget Act. The enacted 18/19 State Budget includes funding to fully implement the Governor's signature public education program – the Local Control Funding Formula (LCFF), and provides additional ongoing funding. Hilmar Unified School District's LCFF funding level for 18/19 is projected to increase 6.10% over prior year.

The State Budget continues to provide one-time discretionary funding which will count towards satisfying the mandate backlog. These one-time funds are earmarked for one-time expenditures in the areas of facilities, operations and transportation.

The District's ADA and the percentage of students identified as Free and Reduced, English Learners or Foster Youth is expected to remain about the same as in the prior year. In the budget year the Governor emphasizes LCFF Supplemental Grants be used to increase and improve services for these students which restricts a portion of the revenue received in order to provide additional support.

With the LCFF fully implemented in 18/19 and the uncertainty of the new Governor's policy priorities, the level of increases to State funding is really unpredictable at this time. The LCFF funding mechanism does not include any guarantees that Districts will received funding equivalent to the annual COLA. Ongoing increases to employer contributions to STRS and PERS pension plans, to health benefits costs due to the Affordable Care Act eligibility criteria and to the minimum wage will continue to have a negative fiscal impact. These additional costs will be the District's responsibility and may exceed the amount of new revenue in the very near future.

The District's commitment to fiscal well-being continues to be a priority. Expenditure plans need to include an on-going alignment between revenues and expenditures and the maintenance of a reserve level that is at or above the Board approved limit of 6%. The experience of the past recession has clearly demonstrated that having higher than minimum reserves provides financial flexibility to absorb unanticipated expenditures and protection against the volatility of state revenues, without significant disruption to educational programs.

For the planning and preparation of the 18/19 Budget, we will continue to use the most current information available to us. The California State Department of Education, School Services of California, WestEd and the Merced County Office of Education are the primary resources we use.

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 additional financial information, please contact Connie Lourenco, Director of Fiscal Services, or Isabel Cabral-Johnson, District Superintendent, at Hilmar Unified School District Business Office, 7807 N. Lander Avenue, Hilmar CA, 95324.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HILMAR UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets	
Cash in county treasury	$ 6,334,711
Cash in revolving fund	11,500
Accounts receivable	525,387
Stores inventory	16,943
Land	372,572
Work in progress	49,954
Depreciable capital assets, net	15,200,718
Total assets	22,511,785
Deferred outflows of resources - OPEB	118,626
Deferred outflows of resources-Pension	7,899,170
Total deferred outflows	8,017,796
Liabilities	
Accounts payable	942,542
Unearned revenue	290,856
Long-term liabilities:	
Due within one year:	
Unamortized bond premium	746
General obligation bonds payable	82,272
Compensated absences payable	216,554
Due after one year:	
General obligation bonds payable	681,666
Net pension liability (asset)	25,540,816
Net OPEB obligation	5,583,224
Unamortized bond premium	5,965
Total liabilities	33,344,641
Deferred inflows of resources - pension	912,364
Net position	
Net investment in capital assets	14,764,866
Restricted for:	
Capital projects	731,770
Debt service	184,902
Educational programs	1,136,386
Unrestricted	(20,545,347)
Total net position	$ (3,727,423)

The notes to the financial statements are an integral part of this statement.

HILMAR UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expense)
			Operating	Capital	Revenue and
		Charges for	Grants and	Grants and	Changes in
	Expenses	Services	Contributions	Contributions	Net Position
Governmental Activities:					
Instruction	$ 15,668,954	$ 152,500	$ 1,897,311	$ -	$ (13,619,143)
Instruction-related services:					
Instructional supervision and administration	412,636	211	82,912	-	(329,513)
Instructional library, media and technology	171,633	119	1,031	-	(170,483)
School site administration	1,815,474	105	83,917	-	(1,731,452)
Pupil services:					
Home-to-school transportation	1,102,029	1,389	13,397	-	(1,087,243)
Food services	1,089,524	165,718	863,303	-	(60,503)
All other pupil services	1,414,449	869	228,212	-	(1,185,368)
General administration:					
Centralized data processing	237,160	-	-	-	(237,160)
All other general administration	1,382,286	4,374	118,035	-	(1,259,877)
Plant services	2,468,026	1,806	115,051	-	(2,351,169)
Ancillary services	566,744	883	11,982	-	(553,879)
Community services	37,031	1,509	14,562	-	(20,960)
Interest on long-term debt	87,508	-	-	-	(87,508)
Other outgo	304,065	96	91,953	-	(212,016)
Total governmental activities	$ 26,757,519	$ 329,579	$ 3,521,666	$ -	(22,906,274)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					5,796,468
Taxes levied for debt service					170,257
Federal and state aid not restricted to specific purposes					15,697,972
Interest and investment earnings					71,225
Interagency services					-
Miscellaneous					407,446
Total general revenues					22,143,368
Change in net position					(762,906)
Net position beginning, originally reported					524,928
Prior period restatement, See Note 14					(3,489,445)
Net position beginning, restated					(2,964,517)
Net position ending					$ (3,727,423)

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

HILMAR UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Capital Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash in county treasury	$ 5,120,506	$ 734,827	$ 479,379	$ 6,334,712
Cash in revolving fund	5,500	-	6,000	11,500
Accounts receivable	422,664	-	102,723	525,387
Due from other funds	25,609	-	354	25,963
Stores inventory	-	-	16,942	16,942
Total assets	$ 5,574,279	$ 734,827	$ 605,398	$ 6,914,504
Liabilities and fund balances				
Liabilities:				
Accounts payable	$ 840,127	$ 2,640	$ 12,046	$ 854,813
Due to other funds	354	417	25,192	25,963
Unearned revenue	290,856		-	290,856
Total liabilities	1,131,337	3,057	37,238	1,171,632
Fund balances:				
Nonspendable	5,500	-	22,943	28,443
Restricted	753,128	-	360,315	1,113,443
Committed	-	-	184,902	184,902
Assigned	1,549,189	731,770		2,280,959
Unassigned	2,135,125	-	-	2,135,125
Total fund balances	4,442,942	731,770	568,160	5,742,872
Total liabilities and fund balances	$ 5,574,279	$ 734,827	$ 605,398	$ 6,914,504

The notes to the financial statements are an integral part of this statement.

HILMAR UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds			$	5,742,872
Rounding				1
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:				
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.				
Capital assets at historical cost:	$	35,989,760		
Accumulated depreciation:		(20,366,516)		
Net:				15,623,244
Unmatured interest on long-term debt: In governmental funds, interest on long term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:				(87,729)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:				
General obligation bonds payable	$	770,649		
Net OPEB obligation		5,583,224		
Compensated absences payable		216,554		
Net Pension Liability (Asset)		25,540,816		(32,111,243)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported				
Deferred outflows of resources relating to pensions	$	7,899,170		
Deferred inflows on resources relating to pensions		(912,364)		6,986,806
Deferred outflows and inflows of resources relating to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported				
Deferred outflows of resources relating to pensions				118,626
Total net position - governmental activities			$	(3,727,423)

The notes to the financial statements are an integral part of this statement.

HILMAR UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Capital Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Local control funding formula sources:				
State apportionments	$ 14,903,112	$ -	$ -	$ 14,903,112
Local sources	5,787,829	-	-	5,787,829
Federal revenue	1,001,146	-	827,201	1,828,347
Other state revenue	2,719,631	-	56,209	2,775,840
Other local revenue	709,370	141,602	344,068	1,195,040
Total revenues	25,121,088	141,602	1,227,478	26,490,168
Expenditures:				
Instruction	15,681,109	-	-	15,681,109
Instructional supervision and administration	418,678	-	-	418,678
Instructional library, media, and technology	161,607	-	-	161,607
School administration	1,752,572	-	-	1,752,572
Home to school transportation	982,628	-	-	982,628
Food services	53,924	-	1,030,966	1,084,890
All other pupil services	1,458,469	-	-	1,458,469
Centralized data processing	233,797	-	-	233,797
All other general administration	1,262,302	44,397	25,192	1,331,891
Plant services	2,462,085	-	3,228	2,465,313
Facility acquisition and construction	181,297	26,554	-	207,851
Ancillary services	426,366	-	-	426,366
Community services	37,168	-	-	37,168
Transfers between agencies	304,065	-	-	304,065
Debt service:		-		
Principal	-	-	84,685	84,685
Interest	-	-	80,865	80,865
Total expenditures	25,416,067	70,951	1,224,936	26,711,954
Excess (deficiency) of revenues over (under) expenditures	(294,979)	70,651	2,542	(221,786)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(294,979)	70,651	2,542	(221,786)
Fund balances, July 1, 2017	4,737,921	661,119	565,618	5,964,658
Fund balances, June 30, 2018	$ 4,442,942	$ 731,770	$ 568,160	$ 5,742,872

The notes to the financial statements are an integral part of this statement.

HILMAR UNIFIED SCHOOL DISTRICT
RECONCLIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total net change in fund balances - governmental funds		$ (221,786)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:	Expenditures for capital outlay: $ 425,615 Depreciation expense: (917,762) Net:	(492,147)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		84,685
Donated capital assets: In governmental funds, donated capital assets are not reported because they do not affect current financial resources in the government wide statements, donated capital assets are reported as revenue and as increases to capital assets, at their fair market value on the on the date of donation. The fair market value of capital asses donated was		77,958
Gain or loss from disposal of capital assets. In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from the disposal of capital asses and the resulting gain or loss is:		(27,328)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statements of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less unmatured interest paid during the period but owing from the prior period was:		(7,389)
Pensions: In governmental funds, the pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(93,877)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated earned was:		(19,753)
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(64,015)
Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:		746
Change in net assets of governmental activities		$ (762,906)

The notes to the financial statements are an integral part of this statement.

HILMAR UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trusts	Agency Funds	
	Scholarships	Student Body Funds	Total
Assets			
Cash in banks	$ -	$ 316,995	$ 316,995
Investments	2,359,603	-	2,359,603
Total assets	2,359,603	316,995	2,676,598
Liabilities			
Due to student groups	-	316,995	316,995
Total liabilities		316,995	316,995
Net position			
Reserved for scholarships	2,359,603	-	2,359,603
Total net position	$ 2,359,603	$ -	$ 2,359,603

The notes to the financial statements are an integral part of this statement.

HILMAR UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Scholarship Fund
Additions:	
Contributions	$ 2,364,508
Interest and dividends	7,940
Gain on change in value of investments	8,838
Total additions	2,381,286
Deductions:	
Scholarships awarded	20,000
Services & other operating expenditures	1,683
Total deductions	21,683
Change in net assets	2,359,603
Net position, July 1, 2017	-
Net position, June 30, 2018	$ 2,359,603

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of seven elected officials who, together, constitute the Board of Trustees. The Government Accounting Standards Board established criteria for determining which organizations should be included in a governmental reporting entity. The focal point for preparing financial statements of a financial reporting entity is the *primary government.* The identification of a financial reporting entity is built around the concept of financial accountability. That is, if a primary government is financially accountable for another entity, that entity's financial statements must be included in the financial statements of the reporting entity. Thus, the *financial reporting entity* consists of the *primary government* and its *component units*. *Primary government* is defined as a state, general purpose local or special purpose local government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. *Component units* are defined as legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on these criteria and definitions, the District is the primary government and there are no material potential component units which should be included with the accompanying financial statements of the District.

The District is associated with various joint ventures under Joint Powers Agreements (JPA) as further discussed in Note 9. The relationships between the District and the JPAs are such that none of the JPAs are a component unit of the District for financial reporting purposes. Each JPA is governed by a Board consisting of a representative from each member district. Each Board controls the operations of the JPA, including the selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the Board. Each member District shares surpluses and deficits proportionately to their participation in each JPA.

B. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) except for the use of full accrual accounting for certain state revenues (See Note 1 D).

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e. the statement of net position and the statement activities) report information on all of the nonfiduciary activities of the district.

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 the 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. This 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 operation or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all Nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund types.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary funds are reported using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the fund's Statement of Fiduciary Net Position.

D. Basis of Accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Generally accepted accounting principles applicable to governmental entities require revenue to be recognized using the modified accrual basis of accounting in governmental funds. Under the modified accrual basis of accounting revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For revenues to be considered available standards require they be collected within 60 days of year end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Local Control Funding Formulas, property taxes and grant awards are recorded the same as what is described for Government-wide statements.

Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues – Exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined "available" for school districts as collectible within one year.

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

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

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources:

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

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

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting.

However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Major Governmental Funds:

The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains a Special Reserve for Other Than Capital Outlay Projects Fund which does not currently meet the definition of a special revenue fund as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in the fund is being reported within the General Fund.

The **Capital Facilities Fund** is used to account for the resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

1. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeterias.

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principle, interest and related costs.

1. The Bond Interest and Redemption Fund is maintained by the County Treasurer and is used to account for both the accumulation of resources from interest and property taxes collected and redemption of principal of the Series 2003 bonds issued by District.

Fiduciary Funds:

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

Private-Purpose Trust Funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District maintains one private-purpose trust fund, the Scholarship Fund, to account for the Helen Yecny Memorial Scholarship, which is used to provide scholarships to agricultural students of the District.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds, except for the use of full accrual accounting for certain state revenues (See Note 1 D). By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented as required supplementary information for the General Fund and all major special revenue funds in the financial statements. The District does not adopt a budget for the Bond Interest and Redemption Fund.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgetary funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for special orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities and Equity/Net Position

1. Cash

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the Merced County Treasury. The County pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value and are displayed on the financial statements as Cash in County Treasury.

2. Accounts Receivable

Accounts receivable represent amounts due from private persons, firms or corporations based on contractual agreements or amounts billed but not received as of June 30, 2018. Accounts receivable also includes entitlements and grants from federal, state, and local governments that the District has earned or been allocated but has not received as of June 30, 2018. At June 30, 2018, no allowance for doubtful accounts was deemed necessary.

3. Stores Inventories and Prepaid Expenditures

Inventory is recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventory is valued at average cost and consists of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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 expenditure during the benefit period.

4. Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets purchased or acquired with an original cost of $5,000 ($15,000 for site acquisitions and improvements) or more and are reported at historical cost or estimated historical cost. Donated assets are reported at their estimated fair value as of the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized,

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

but are expensed as incurred. Depreciation on all capital assets is computed using straight-line basis over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings and Improvements	20-50 years
Furniture, Equipment and Classroom Supplies	5-20 years
Vehicles	8 years

5. Unearned Revenue

Cash received for federal and state special projects and programs is recognized to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents the consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The deferred outflows - pension results from pension contributions subsequent to the measurement date of the pension plan and various changes resulting from actuarial pension measurement. The pension contribution amount is deferred and recognized as a component of the change in pension plan liability in the next measurement period. The various changes resulting from actuarial pension measurement are deferred and amortized in future periods as a component of the pension expense. The deferred outflows - OPEB results from pension contributions subsequent to the measurement date of the pension plan. The pension contribution amount is deferred and recognized as a component of the change in pension plan liability in the next measurement period.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category – deferred pension related inflows. The various changes resulting from actuarial pension measurement are deferred and amortized in future periods as a component of the pension expense.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

A summary of change in deferred outflows/inflows of resources is as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Deferred Outflows - Pensions:				
Deferred pension contributions	$ 1,871,004	$ 2,232,028	$ 1,871,004	$ 2,232,028
Changes in proportionate share	129,713	517,335		647,048
Changes in assumptions	-	4,455,606		4,455,606
Deferred difference between:				-
Projected and actual earnings	2,128,815	-	1,885,114	243,701
Projected and actual experience	251,435	69,352	-	320,787
Total Deferred Outflows - Pensions	$ 4,380,967	$ 7,274,321	$ 3,756,118	$ 7,899,170
Deferred Inflows - Pensions				
Changes in assumptions	$ 175,638	$ -	$ 92,694	$ 82,944
Changes in proportionate share	-	14,220		14,220
Deferred difference between:		-		-
Projected and actual earnings	1,077,184	-	584,584	492,600
Projected and actual experience	374,870		52,270	322,600
Total Deferred Inflows - Pensions	$ 1,627,692	$ 14,220	$ 729,548	$ 912,364

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Deferred Outflows - OPEB				
Deferred pension contributions	$ -	$ 118,626	$ -	$ 118,626
Total Deferred Outflows - OPEB	$ -	$ 118,626	$ -	$ 118,626

7. Compensated Absences

Accumulated unpaid vacation benefits, including related payroll taxes, are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

not yet been paid with expendable available financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are unearned and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial; statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

9. Fund Balance Reserves and Designations

In accordance with governmental accounting standards, the District presents fund balance of governmental funds in the following classifications. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

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

Committed – amounts that can be used only for specific purposes determined by a formal action of District's Governing Board. The Governing Board is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Governing Board. Governing Board action to commit fund balance needs to occur within the fiscal reporting period, however, the amount can be determined subsequent to the release of the financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under District's adopted policy, the Governing Board delegated the authority to assign amounts to be used for specific purposes to the Superintendent or Chief Business Official.

Unassigned – all other spendable amounts. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls and includes the California Department of Education's established minimum reserve for economic uncertainties.

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

The Governing Board recognizes that good fiscal management comprises the foundational support of the entire District. To make that support as effective as possible, the Board intends to maintain an economic uncertainty reserve of at least 6% of total General Fund operating expenditures (including other financing). The primary purpose of this reserve is to avoid the need for service level reductions if an economic downturn causes revenues to come in lower than budget. In the event the balance drops below the established minimum level of 6%, the District's Governing Board will adopt a plan to replenish the fund balance to the established minimum level.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

As of June 30, 2018, fund balances are composed of the following:

	General Fund	Capital Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Revolving fund	$ 5,500	$ -	$ 6,000	$ 11,500
Stores inventory	-	-	16,943	16,943
Restricted:				
Educational purposes	753,128	-	-	753,128
Child nutrition	-	-	360,315	360,315
Committed:				
Debt service	-	-	184,902	184,902
Assigned:				
Educational purposes	714,730	-	-	714,730
Technology/Infrastructure/Equipment	270,192	-	-	270,192
Deferred maintenance match	406,220	-	-	406,220
Transportation	158,047	-	-	158,047
Growth and expansion	-	731,770	-	731,770
Unassigned:				-
Reserved for economic uncertainties	2,135,125	-	-	2,135,125
Total fund balances	$ 4,442,942	$ 731,770	$ 568,160	$ 5,742,872

10. Net Position

Net position represents the difference between assets and liabilities and deferred outflows and inflows. Net position is displayed in three components: *1) Net investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. *2) Restricted net position* consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation. *3) Unrestricted net position* consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Local Control Funding Formula and Property Tax

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll–approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund and is known as the State Apportionment.

The 2013–14 budget package replaces the previous K–12 finance system with a new Local Control Funding Formula (LCFF). For school districts and charter schools, the LCFF creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. Until full implementation, however, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

12. Pension

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

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash in Banks and in Revolving Fund

Cash balances in banks and in revolving funds are insured up to $250,000, per financial institution, by the Federal Depository Insurance Corporation (FDIC). These accounts are held within various financial institutions.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, the carrying amount of the District's accounts was $316,995. As of June 30, 2018, the uninsured portion of this balance was $0.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the Merced County Treasury as part of the common investment pool, which totaled $6,334,711 as of June 30, 2018. The fair market value of this pool as of June 30, 2018, as provided by the pool sponsor, was $6,282,767 in accordance with GASB Statement No. 31.

The District is considered to be an involuntary participant in the external investment pool. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County is restricted by *Government Code* Section 53635 et seq. pursuant to Section 53601 et seq. to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The investment policy for the Merced County Treasury prohibits any mortgage-backed or asset-backed securities, reverse repurchase securities, foreign investments, and strips or zero interest accrual investments. Due to constraints and standards imposed by GASB and the top rating agencies, the target weighted average maturity of the portfolio will be approximately two years. As per the Government Code Section 53601, investments cannot exceed a five year maturity.

	Fair Value	Reported Amount
Deposits:		
Cash in county treasury	$ 6,282,767	$ 6,334,711
Cash in bank	11,500	11,500
	$ 6,294,267	$ 6,346,211

Investments by the District in the investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form. Investments in external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure under GASB Statement No. 40.

NOTE 2 – CASH AND INVESTMENTS (continued)

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 rate. As of the year end, the weighted average maturity of the investments contained in the County Treasury investment pool was approximately twelve months.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. The County of Merced issues a financial report that includes custodial credit risk disclosures for the Cash in County Treasury. The report may be obtained by writing to the Merced County Treasurer, 2222 M Street, Merced, California 95340.

Investments

The District holds investments on behalf of the Helen Yecny. The investments were presented on the financial statements at fair market value pursuant to GASB Statement 31. .

Fair value at June 30, 2017		$ -
Add:	Contributions	2,364,508
	Dividends income received in 2017-2018	7,940
Less:	Scholarships	20,000
	Service Charges	1,683
	Fair Value at June 30, 2018	2,359,603
	Change in fair value of investments	$ 8,838

NOTE 3 – INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination in the government-wide financial statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

NOTE 3 – INTERFUND TRANSACTIONS (continued)

Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements. All interfund loans will be repaid within one year.

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivables and payables balances at June 30, 2018 are as follows.

Interfund Receivables	Interfund Payables	Amount
Nonmajor Governmental Fund	General Fund	$ 354
General Fund	Capital Facilities	417
General Fund	Nonmajor Governmental Fund	25,192
	Total Interfund Receivables/Payables	$ 25,963

The specific purposes of the interfund balances are as follows:

Amount due to the Cafeteria Fund from the General Fund for outstanding invoices	$	354
Amount due to the General Fund from the Cafeteria Fund for indirect costs	$	25,192
Amount due to the General Fund from the Capital Facilities fund for expense reimbursement	$	417

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. There were no Interfund transfers for the 2017-2018 fiscal year.

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2018 consist of the following:

	General	Nonmajor Governmental Funds	Totals
Federal government:			
Federal programs	$ 277,185	$ 95,461	$ 372,646
State government:			
LCFF	-	-	-
Categorical aid	2,137	7,262	9,399
Lottery	116,281	-	116,281
Total state government	118,418	7,262	125,680
Other local revenue	21,517	-	21,517
Miscellaneous	5,544	-	5,544
Totals	$ 422,664	$ 102,723	$ 525,387

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018 is shown below:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 372,572	$ -	$ -	$ 372,572
Work in progress	39,702	49,954	39,702	49,954
Total capital assets, not being depreciated	412,274	49,954	39,702	422,526
Capital assets being depreciated:				
Buildings	26,140,058	253,061	-	26,393,119
Improvement of sites	4,497,438	22,496	-	4,519,934
Equipment	4,504,143	217,764	67,726	4,654,181
Total capital assets, being depreciated	35,141,639	493,321	67,726	35,567,234

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (continued)

Less accumulated depreciation for:				
Buildings	14,458,873	621,508	-	15,080,381
Improvements of sites	1,955,197	75,953	-	2,031,150
Equipment	3,075,081	220,302	40,398	3,254,985
Total accumulated depreciation	19,489,151	917,763	40,398	20,366,516
Total capital assets being depreciated, net	15,652,488	(424,442)	27,328	15,200,718
Governmental activities capital assets, net	$ 16,064,762	$ (374,488)	$ 67,030	$ 15,623,244

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	$ 458,989
Instructional library, media and technology	15,151
School site administration	76,120
Home-to-school transportation	118,065
Food services	24,870
Ancillary services	150,120
All other pupil services	4,735
All other general administration	-
Centralized data processing	7,373
Plant services	62,340
Total depreciation expense	$ 917,763

NOTE 6 – LEASES

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors but it is unlikely that the District will cancel any of the agreements prior to the expiration date. The District will receive no sublease rental revenues, nor pay any contingent rentals for this equipment.

NOTE 7 – GENERAL OBLIGATION BONDS

In 2002 the District received authorization to issue not more than $2,000,000 principal amount of general obligation bonds through a special election of the registered voters of the District held on November 5, 2002 (Election of 2002, Series 2003 Bonds). The bonds are general obligations of the district, and the county is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds. Bond proceeds will be used to modernize District schools, including Hilmar High School, Elim Elementary School, Merquin Elementary School and Hilmar Middle School.

On March 1, 2003 the District issued $1,997,943 of Election of 2002, Series 2003 general obligation bonds. The interest rate ranges from 2.25% to 5.34%. The maturity date is August 1, 2027. The outstanding General Obligation Bond debt of the District as of June 30, 2018, is as follows:

Date of Issue (March 1)	Interest Rate	Maturity Date (August 1)	Amount of Original Issue	Outstanding July 1, 2017	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2018
2003	2.25%-5.34%	2027	$ 1,997,943	$ 848,623	$ -	$ 84,685	$ 763,938

NOTE 7 – GENERAL OBLIGATION BONDS (continued)

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2018, are as follows:

Year Ending June 30	Principal	Interest	Total
2018	$ 82,272	$ 87,728	$ 170,000
2019	81,906	98,094	180,000
2020	79,280	105,720	185,000
2021	78,312	116,688	195,000
2022	77,019	127,981	205,000
2023-2027	365,149	809,801	1,174,950
Total	$ 763,938	$ 1,346,012	$ 2,109,950

NOTE 8 – LONG-TERM DEBT – SCHEDULE OF CHANGES

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

	Balance July 1	Additions	Deductions	Balance June 30	Due Within One Year
General obligation bonds payable	$ 848,623	$ -	$ 84,685	$ 763,938	82,272
Bond premium payable	7,457	-	746	6,711	746
Net OPEB obligation*	1,911,138	3,672,086	-	5,583,224	-
Net pension obligation	21,213,408	6,198,412	1,871,004	25,540,816	-
Compensated absences payable	196,800	19,754	-	216,554	216,554
Totals	$ 24,177,426	$ 9,890,252	$ 1,956,435	$ 32,111,243	$ 299,572

*Amounts shown at net change. Amount due within one year not available.

Payments for the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Capital lease payments are made by the General Fund and Capital Facilities Fund. Compensated absences, OPEB and pension obligation will be paid by the fund for which the employee worked.

NOTE 9 – JOINT VENTURES (Joint Powers Agreements)

The Hilmar Unified School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hilmar Unified School District participates in the following joint ventures under joint powers agreements (JPAs) for insurance coverage as detailed below. Each member district within the JPA pays a premium commensurate with the level of coverage requested and share surpluses and deficits proportionately to their participation in each JPA.

Merced County Schools Insurance Group I (MCSIG I), MCSIG I arranges for and provides workers compensation insurance for its member school districts. The JPAs net position at June 30, 2017 were $5,404,000 and its change in net position for the fiscal year ending June 30, 2017 was $2,843,000. Complete financial statements for MCSIG I may be obtained from the Merced County Office of Education, 632 West 13th Street, Merced, California 95341.

Schools Association for Excess Risk (SAFER). SAFER arranges for and provides excess liability insurance coverage for its member school districts. The JPAs net position at June 30, 2017 were $689,977 and its change in net position for the fiscal year ending June 30, 2016 was ($1,451,789). Complete financial statements for SAFER may be obtained from Keenan & Associates, 1732 North First Street, Suite 100, San Jose, California 95112.

Self-Insured School of California (SISC III), SISC III arranges for and provides health and welfare benefits coverage for its member school districts. The JPA's net position at September 30, 2017 were $366,979,886 and its change in net position for the fiscal year ending September 30, 2017 was $104,392,155. Complete financial statements for SISC III may be obtained from the Self-Insured Schools of California, 2000 K Street, Bakersfield, California 93301.

Central Valley Schools JPA (CVSJPA). CVSJPA arranges for and provides property and liability insurance coverage for its member school districts. The JPA's net position at June 30, 2017 were $340,765 and its change in net position for the fiscal year ending June 30, 2017 was ($15,900). Complete financial statements for CVSJPA Central Valley Schools JPA may be obtained from Keenan & Associates, 1732 North First Street, Suite 100, San Jose, California 95112.

The District's share of year-end assets, liabilities, or fund equity has not been calculated by the JPAs. District officials believe no additional liabilities were owed at June 30, 2018, associated with these JPAs.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants – The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement system (CalPERS).

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: members first hired on before December 31, 2012, to perform services that could be creditable to CalSTRS.

Cal STRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS.

CalSTRS 2% at 60

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

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 64 or older.

Funding Policy

Assembly Bill 1469 (AB1469), signed into law as part of the State of California's 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 19.1% of covered payroll over the seven-year period. The Districts required contribution rate for the year ended June 30, 2018 was 14.43% of annual pay. District contributions to CalSTRS Plan were $1,636,808 for the year ended June 30, 2018.

Active CalSTRS 2% at 60 members are required to contribute 10.25%, and CalSTRS 2% at 62 members are required to contribute 9.205% of their salary.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of $887,007 and $313,491 to CalSTRS. This amount was recorded as income/expense for the year ended June 30, 2018 on the Fund financial statements and the Government Wide Financial statements respectively.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

Actuarial methods and assumptions

The total pension liability for the STRS 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. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions[1,2]:

Valuation date	June 30, 2016
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.1%[3]
Consumer Price Inflation	2.75%
Wage Growth	3.5%
Post Retirement Benefit Increase	2.00% simple for DB (annually) Maintain 85% purchasing power level for DB Not applicable for DBS/CBB

(1) For the purpose of determining the total pension liability, the assumptions used in the June 30, 2016, financial reporting actuarial valuation, were applied to all periods prior to July 1, 2017. The assumptions applied to those periods on and after July 1, 2017 are reflected in the table above.

(2) The assumptions for investment rate of return, wage growth and inflation used in the June 30, 2016 financial reporting actuarial valuation were 7.60 percent, 3.75 percent and 3.00 percent, respectively.

(3) Net of investment expenses but gross of administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions and benefit payments occur midyear. Based on those 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 the total pension liability.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

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 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 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 used for the period 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%
Private Equity	13%	9.30%
Real Estate	13%	5.20%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Fixed Income	12%	0.30%
Cash/Liquidity	2%	(1.00%)

*20 year average

Pension Plan Fiduciary Net Position

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

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

CalPERS:

Plan Description

The District participates in the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefits pension plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues an annual financial report which is available online at www.calpers.ca.gov.

Benefits Provided

The benefits for the CalPERS Plan are established by contract and the Public Employees' Pension Reform Act of 2013 (PEPRA), in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death and survivors of eligible members or beneficiaries. PEPRA made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalPERS Plan has two benefit structures:

Classic CalPERS 2% at 55 – Members first hired on or before December 31, 2012 to perform CalPERS creditable activities.
PEPRA CalPERS 2% at 62 – Members first hired on or after January 1, 2013 to perform CalPERS creditable activities

To be eligible for service retirement, members hired prior to January 1, 2013 must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013 must be at least age 52 with a minimum of five years of service.

Funding Policy

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.

The CalPERS Board retains the authority to amend contribution rates. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's 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 Districts required contributions for the year ended June 30, 2018 was 15.531% of annual pay. District contributions to the CalPERS Plan were $595,220 for the year ended June 30, 2018.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, are required to contribute 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement of collective bargaining agreement that expires after January 1, 2013.

Actuarial Methods and Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability.

The June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table [1]	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

[1]The Mortality table uses was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using society of Actuaries Scale BB. For more details on this table, please refer to the April, 2014 CalPERS Experience Study and Review of Actuarial Assumptions report.

Other significant actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods adapted by the Board in 2013 were used. For the PERF B, projections of expected benefit payments and contributions at the statutorily required member and employer rates were performed to determine if the assets would run out. The tests revealed the assets would not run out for the Plan. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The crossover test results can be found on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, 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 of the funds' asset classes, expected compound returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short term and log-term returns. The expected rate of the return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

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

Asset Class	Assumed Allocation	Real Return Years 1-10[1]	Real Return Years 11+[2]
Global Equity	47%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	(0.40%)	(0.90%)

(1) An expected inflation of 2.5% used for this period.
(2) An expected inflation of 3.0% used for this period.

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 for PERS and STRS. The amount recognized by the District as its proportionate share of the net pension liability that was associated with the District is as follows:

District's proportionate share of the CalSTRS net pension liability	$	18,496,000
District's proportionate share of the CalPERS net pension liability		7,044,816
Total net pension liability associated with the District	$	25,540,816

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2017 and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary new position. The District's proportion of each Plan's net pension liability was based on the ratio of the district's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District proportionate share of the new pension liability as of June 30, 2017 was .0002 and .0002951 for the CalSTRS and CalPERS Plans, respectively.

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

For the year ended June 30, 2018, the District recognized pension expense of $920,424 related to CalSTRS and $1,405,878 related to CalPERS. 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
Difference between expected and actual experience	$ 320,787	$ 322,600
Changes in assumptions	4,455,606	82,944
Net difference between projected and actual earnings on pension plan investments	243,701	493,000
Changes in proportion and differences between District contributions and proportionate share of contributions	647,048	14,220
District contributions subsequent to the Measurement date	2,232,028	-
Total	$ 7,899,170	$ 912,764

$2,232,028 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	
2018	$ 1,155,875
2019	860,362
2020	938,237
2021	670,160
2022	550,040
2023	579,704

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

Sensitivity of the Aggregate Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plans as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the new pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage point higher than the current rate.

	Discount Rate - 1% (6.1%)	Current Discount Rate (7.1%)	Discount Rate + 1% (8.1%)
District's proportionate share of the CalSTRS Plan's net pension liability	$ 23,281,200	$ 18,493,000	$ 10,275,400

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's proportionate share of the CalPERS Plan's net pension liability	$ 8,695,771	$ 7,044,816	$ 3,440,462

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminated employees.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Hilmar Unified School District Other Postemployment Benefit Plan provides a single-employer defined benefit healthcare plan offering medical, dental and vision insurance to its eligible retirees as further explained below. The plan is administered by Self-Insured Schools of California Health and Welfare Benefits Program (SISC III). Information about SISC III and their separately issued financial statements are discussed in Note 8.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Benefits Provided

Certificated and Certificated Management employees who have attained age 55 and have completed at least 20 years of full-time service with the District are eligible to retire and receive District-paid medical, prescription drug, dental and vision coverage, subject to annual cap that is currently $11,000 per year and is frozen in the year of retirement. District-paid benefits end at 65.

Classified and Classified management employees follow the same rules as Certificated and Certificated Management, described above, except that they must earn 20 years of full-time equivalent service as calculated by CalPERS.

Employees hired on or after July 1, 2014 must have attained age 60 (rather than 55) in order to be eligible for District benefits. Employees hired subsequent to July 1, 2016 are not eligible for the Other Postemployment Benefit plan.

Covered Employees

At July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees receiving benefits	24
Inactive employees entitled to but not receiving benefits	-
Participating active employees	204
Total plan members	228

Contributions

The District currently finances benefits on a pay-as-you-go basis.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018, and the Total OPEB Liability used to calculate the Net NOPEB Liability was determined by an actuarial valuation as of July 1, 2016. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Assumptions

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

Salary increases	3.00 percent
Healthcare cost trend rates	6.00 percent for 2016, 5.00 percent for 2017 and later years

Pre-retirement mortality rates were based on the RP-204 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2016 valuation were based on a review of plan experience during the period July 1, 2014 to July 30, 2016.

Discount Rate

GASB 75 required a discount rate that reflects the following:

1. The long-term expected rate of return on OPEB plan investment – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
2. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions (1) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return of Plan investments (if any)	Municipal Bond 20-Year High Grade Rate Index	Discount Rate
June 30, 2018	June 30, 2018	4.00%	3.62%	3.62%

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The components of the net OPEB liability at June 30, 2018, were as follows:

Total OPEB liability	$5,583,224
Plan fiduciary net position	0
Net OPEB liability	$5,583,224

Covered payroll	$13,035,692
New OPEB liability (asset) as a percentage of covered payroll	42.83%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

Schedule of Changes in Net OPEB Liability

Total OPEB Liability		
Service Cost	$	176,942
Interest		192,156
Benefit payments [1]		(186,467)
Net change in total OPEB liability		182,631
Total OPEB Liability - beginning (a)	$	5,400,593
Total OPEB Liability - ending (b)	$	5,583,224
Plan fiduciary net position		
Contributions - employer [1]	$	186,467
Net investment income		-
Benefit payments [1]		(186,467)
Net change in plan fiduciary net position		-
Plan fiduciary net position - beginning (c)	$	-
Plan fiduciary net position - ending (d)	$	-
Net OPEB liability - beginning (c) - (a)	$	5,400,593
Net OPEB liabiliy - ending (d) - (b)	$	5,583,224

[1] Amount includes implicit subsidy associated with benefits paid

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Statement of Changes in Fiduciary Net Position

Additions		
Employer contributions[2]	$	186,467
Investment income:		
Net increase in fair value of investments	$	-
Total additions	$	186,467
Deductions		
Trustee Fees	$	-
Administrative expense	$	-
Benefit payments[2]	$	186,467
Total deductions	$	186,467
Net increase in net position	$	-
Net position restricted for postemployment benefits other than pensions		
Beginning of year	$	-
End of year	$	-

[2]Includes $118,625 of pay-as-you-go contributions made from sources outside of trust, plus an implicit subsidy amount of $67,842

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Net OPEB Expense

For the year ended June 30, 2018, the District's Net OPEB expense was $369,098

Net OPEB liability - beginning (a)	$	5,400,596
Net OPEB liability - ending (b)		5,583,224
Change in net OPEB liability [(b)-(a)]		182,631
Change in deferred outflows		
Change in deferred inflows		-
Employer contributions		186,467
OPEB expense	$	369,098

Service cost	$	176,942
Interest cost		192,156
Expected return on assets		-
Changes of benefit terms		-
Recognition of deferred outflows and inflows		
District contributions subsequent to the measurement date		-
Differences between expected and actual experience		-
Changes of assumptions		-
Differences between projected and actual investments		-
Total		-
Net OPEB expense	$	369,098

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

As of June 30, 2018, the District's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$118,626	$0
Total	$118,626	$0

$118,626 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.62 percent) or 1 percentage point higher (4.62 percent) than the current discount rate:

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Net OPEB liability (asset)	$ 5,965,041	$ 5,583,224	$ 5,213,242

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the new OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rated that are 1 percentage point lower (5.00 percent decreasing to 4.00 percent) or 1 percentage point higher (7.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (5.00% decreasing to 4.00%)	Trend Rate (6.00% decreasing to 5.00%)	1% Increase (7.00% decreasing to 6.00%)
Net OPEB liability (asset)	$ 4,975,682	$ 5,583,224	$ 6,289,316

NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement is effective for periods beginning after June 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 84

In January, 2017 GASB issued Statement no. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for periods beginning after December 15, 2018

NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS (continued)

GASB Statement No. 87

In June, 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the needs of financial statement users by improving account and financial reporting for leases by governments. This statement is effective for periods beginning after December 15, 2019. The District has not yet determined the impact on the financial statements.

GASB Statement No. 88

In April, 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including direct borrowings and Direct Placements. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement is effective for periods beginning after June 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 89

In June, 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement is effective for periods beginning after December 15, 2019. The District has not yet determined the impact on the financial statements.

GASB Statement No. 90

In August, 2018, GASB issued Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.. This statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

NOTE 14 – RESTATEMENT OF NET POSITION FOR NEW PRONOUNCEMENT

During the 2017-18 fiscal year, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

GASB 75 required retrospective application. Since the District only presents one year of financial information, the beginning net OPEB liability was adjusted to reflect the retrospective application. The adjustment resulted in a $1,097,636 reduction in beginning net position the Statement of Activities. Beginning net position restatement by type is as follows:

	Governmental Type Activities
Net position - as previously stated	$524,928
GASB 75 implementation	(3,489,445)
Net position - as restated	($2,964,517)

NOTE 15 – SUBSEQUENT EVENT – BOND

Subsequent to June 30, the voters passed Measure G. This measure authorizes the District to issue $31,000,000 of bonds to modernize/renovate classrooms, restrooms and school facilities to improve the quality of education, make health/safety improvements, and construct an elementary school to relieve student overcrowding.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

HILMAR UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICTS NET OPEB LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS*

Total OPEB Liability		
Service Cost	$	176,942
Interest		192,156
Benefit payments [1]		(186,467)
Net change in total OPEB liability		182,631
Total OPEB Liability - beginning (a)	$	5,400,593
Total OPEB Liability - ending (b)	$	5,583,224
Plan fiduciary net position		
Contributions - employer [1]	$	186,467
Net investment income		-
Benefit payments [1]		(186,467)
Net change in plan fiduciary net position		-
Plan fiduciary net position - beginning (c)	$	-
Plan fiduciary net position - ending (d)	$	-
Net OPEB liability - beginning (c) - (a)	$	5,400,593
Net OPEB liabiliy - ending (d) - (b)	$	5,583,224

[1] Amount includes implicit subsidy associated with benefits paid

Plan fiduciary net position as a percentage of total OPEB Liability		0%
Covered employee payroll	$	13,035,962
Districts net OPEB Liability as a percentage of covered payroll		42.83%

*This schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - No change in benefit terms

Changes of assumptions - No change in major assumptions

The notes to the financial statements are an integral part of this statement.

HILMAR UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILTY
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.020%	0.019%	0.021%	0.018%
Districts proportionate share of the net pension liability (asset)	$18,496,000	$15,367,390	$14,138,040	$12,858,840
District's covered employee payroll	$10,718,978	$9,778,981	$9,671,408	$8,579,688
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	172.55%	157.15%	146.18%	149.88%
Plan fiduciary net position as a percentage of the total pension	69%	70%	74%	77%

*This schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms

No change in benefit terms

Changes of assumptions

During fiscal year 2016-17 CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, the following assumptions changed: consumer price inflation changed from 3.00 percent to 2.75 percent, the investment rate of return changed from 7.60 percent to 7.10 percent, and the wage growth changed from 3.75 percent to 3.50 percent. CalSTRS also changed it mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study. 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 increased in life expectancies each year into the future. The as 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 notes to the financial statements are an integral part of this statement.

HILMAR UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$1,627,168	$1,348,447	$1,049,284	$856,050
Contributions relative to contractually required contribution	$1,644,267	$1,348,683	$1,049,295	$858,821
Contribution deficiency (excess)	($17,099)	($236)	($11)	($2,771)
District's covered employee payroll	$11,276,287	$10,718,978	$9,778,981	$9,671,408
Contributions as a percentage of covered employee payroll	14.58%	12.58%	10.73%	8.88%

*This schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

The notes to the financial statements are an integral part of this statement.

HILMAR UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILTY
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0295%	0.0296%	0.0285%	0.0283%
Districts proportionate share of the net pension liability (asset)	$7,044,816	$5,846,018	$4,200,928	$3,212,739
District's covered employee payroll	$3,761,516	$3,548,908	$3,296,948	$2,818,284
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	187.29%	164.73%	127.42%	114.00%
Plan fiduciary net position as a percentage of the total pension	72%	74%	79%	83%

*This schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms

No change in major assumptions

Changes of assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

The notes to the financial statements are an integral part of this statement.

HILMAR UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$596,304	$522,399	$420,439	$388,084
Contributions relative to contractually required contribution	$596,304	$522,399	$420,439	$388,084
Contribution deficiency (excess)	$0	$0	$0	$0
District's covered employee payroll	$3,839,444	$3,761,516	$3,548,908	$3,296,948
Contributions as a percentage of covered employee payroll	15.53%	13.89%	11.85%	11.77%

*This schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

The notes to the financial statements are an integral part of this statement.

HILMAR UNIFIED SCHOOL DISCTRICT
BUDGETARY COMPARISON
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	(GAAP Basis) (See Note 1F)	Positive (Negative)
Revenues:				
Local control funding formula sources	$ 20,626,745	$ 20,703,453	$ 20,690,941	$ (12,512)
Federal revenue	847,288	1,070,344	1,001,146	(69,198)
Other state revenue	1,883,133	2,940,202	2,719,631	(220,571)
Other local revenue	353,200	709,625	709,370	(255)
Total revenues	23,710,366	25,423,624	25,121,088	(302,536)
Expenditures:				
Certificated salaries	11,183,964	11,702,668	11,657,174	45,494
Classified salaries	3,838,260	3,959,709	3,954,283	5,426
Employee benefits	5,720,189	6,083,567	6,052,808	30,759
Books and supplies	1,408,547	2,463,229	1,202,173	1,261,056
Services and other operating	1,842,157	2,329,269	1,888,090	441,179
Capital outlay	-	412,145	382,666	29,479
Other outgo	239,709	278,883	278,873	10
Total expenditures	24,232,826	27,229,470	25,416,067	1,813,403
Excess (deficiency) of revenues over (under) expenditures	(522,460)	(1,805,846)	(294,979)	1,510,867
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(522,460)	(1,805,846)	(294,979)	1,510,867
Fund balances, July 1, 2017	5,927,814	5,927,814	4,737,921	(1,189,893)
Fund balances, June 30, 2018	$ 5,405,354	$ 4,121,968	$ 4,442,942	$ 320,974

The notes to the financial statements are an integral part of this statement.

OTHER INFORMATION SECTION

HILMAR UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

The Hilmar Unified School District was established approximately in 1949 and comprises an area of approximately 106 square miles located in Merced County. There were no changes in the boundaries of the district during the current year. The District is currently operating two elementary schools, one junior high and three high schools.

GOVERNING BOARD

Name	Office	Term Expires
Fatima Amaral	President	December 2020
Robert Machado	Vice President	December 2018
Anne Almeida	Clerk	December 2018
Luis Freitas	Member	December 2018
Tim Jones	Member	December 2018
Curtis Jorritsma	Member	December 2020
Brent Chipponeri	Member	December 2020

ADMINISTRATION

Isabel Cabral - Johnson
Superintendent

Connie Lourenco
Director of Fiscal Services

HILMAR UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Second Period Report	Annual Report
Elementary:		
Kindergarten through 3	689.41	697.35
Grades 4 through 6	508.59	508.82
Grades 7 and 8	364.95	365.50
Elementary Totals	1,562.95	1,571.67
High School:		
Grades 9 through 12	682.69	682.52
High School Totals	682.69	682.52
ADA Totals	2,245.64	2,254.19

Average daily attendance is a measure 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.

HILMAR UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirements	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	37,800	180	In Compliance
Grade 1	50,400	52,305	180	In Compliance
Grade 2	50,400	52,305	180	In Compliance
Grade 3	50,400	52,305	180	In Compliance
Grade 4	54,000	59,805	180	In Compliance
Grade 5	54,000	59,805	180	In Compliance
Grade 6	54,000	62,515	180	In Compliance
Grade 7	54,000	62,515	180	In Compliance
Grade 8	54,000	62,515	180	In Compliance
Grade 9	64,800	65,191	180	In Compliance
Grade 10	64,800	65,191	180	In Compliance
Grade 11	64,800	65,191	180	In Compliance
Grade 12	64,800	65,191	180	In Compliance

The District has received incentive funding for increasing instructinal time as provided by the Incentives for Longer Instructional Day. The District has not met its local control funding formula target.

Districts that participate in Longer Day Incentive Funding or that met or exceed their local control funding formula target, must provide at least the number of instructional minutes speficied in Education Code Section 46201(b) or 46207(a), shown as the minutes requirement above.

HILMAR UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

General Fund	Budget[1] 2019	2018[4]	2017	2016
Revenues and Other Financial Sources	$ 25,388,683	$ 25,807,522	$ 25,820,852	$ 24,354,582
Expenditures	25,626,515	25,416,070	25,326,822	22,583,734
Other Uses and Transfers Out	-	331,000	473,622	1,064,152
Total Outgo	25,626,515	25,747,070	25,800,444	23,647,886
Change in Fund Balance (Deficit)	(237,832)	60,452	20,408	706,696
Ending Fund Balance	$ 3,370,648	$ 3,608,480	$ 3,548,028	$ 3,527,620
Available Reserves[2]	$ 1,897,293	$ 2,135,125	$ 2,211,738	$ 2,001,729
Designated for Economic Uncertainties	$ 1,897,293	$ 2,135,125	$ 2,211,738	$ 2,001,729
Undesignated Fund Balance	$ -	$ -	$ -	$ -
Available Reserves as Percentage of Total Outgo	7.40%	8.29%	8.57%	8.46%
Total Long-Term Debt	n/a [3]	$ 32,111,243	24,177,426	$ 21,262,296
Average Daily Attendance at P-2	2,252	2,246	2,252	2,207

This schedule discloses the District's financial trends by displaying past years' data along with current budget year 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. The general fund balance has increased by $80,863 over the past two years. The fiscal year 2018-2019 budget projects a decrease of $237,832 (-6.6%). For a district this size, the state recommends available reserves of at least 3 percent of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus over the past three years, and anticipates incurring an operating deficit during the 2018-2019 fiscal year. Total long-term debt has increased by $10,848,947 over the past two years due to the implementation of the net pension and other postemployment benefits liabilities. Average daily attendance has increased by 39 ADA over the past two years. ADA is anticipated to increase by 6 students in 2018-19.

1 Unaudited.

2 Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the general fund.

3 Information unavailable.

4 General Fund amounts do not include activity related to the consolidation of the Special Reserve Other-Than Capital Oulay Fund as required by GASB Statement 54.

HILMAR UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Defense/National Security Agency:			
STARTALK Program	12.900	n/a	$ 100,838
U.S. Department of Education:			
Passed through California Department of Education:			
NCLB: Title I, Part A	84.010	14329	423,982
NCLB: Title I, Migrant Education	84.011	14326	21,030
NCLB: Title II, Part A, Improving Teacher Quality	84.367	14341	67,312
NCLB: Title III, Limited English Proficient	84.365	14346	51,114
NCLB: Title III, Immigrant Education	84.365A	15146	3,529
NCLB: Title VI, Part B, Rural & Low Income School Program	84.358B	14356	10,159
Special Education: IDEA	84.027	13379	306,463
Advanced Placement	84.330	14831	339
Medi-Cal Billing Option	93.778	10013	13,457
Vocational Programs: Voc & Appl Tech Secondary	84.048	14894	14,880
Total U.S. Department of Education			912,265
U.S. Department of Agriculture:			
Passed through California Department of Education:			
Child and Adult Care Food Program	10.558	13666	33,787
NSLP Equipment Assistance Grant	10.559	14906	16,395
Child Nutrition Cluster:			
School Breakfast Program: Especially Needy	10.553	13526	169,635
National School Lunch Program	10.555	13523	592,466
Summer Food Service Program	10.559	13004	14,918
Total Child Nutrition Cluster			777,019
Total U.S. Department of Agriculture			827,201
Total Expenditures of Federal Awards			$ 1,840,304

HILMAR UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hilmar Unified School District and is presented on the modified accrual method of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Hilmar Unified School District did not provide any federal awards to subrecipients.

NOTE 3 – INDIRECT COST RATE

The District has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

HILMAR UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT (SACS) WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The audited financial statements for all funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2018.

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS Financial Reporting Software to the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

KEMPER
CPA GROUP LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Hilmar Unified School District

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 Hilmar Unified School 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, and have issued our report thereon dated December 17, 2018. In our report, our opinion is qualified for the recognition of revenue from state apportionments, interest, certain grants, and other local resources on the full accrual basis in the fund financial statements, required by accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hilmar 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 Hilmar Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hilmar Unified School District's internal control.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hilmar 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants
Merced, California
December 17, 2018

KEMPER
CPA GROUP LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Hilmar Unified School District

Report on Compliance for Each Major Federal Program

We have audited Hilmar 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 Hilmar Unified School District's major federal programs for the year ended June 30, 2018. Hilmar Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hilmar 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* (CFR) 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 Hilmar Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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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 Hilmar Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hilmar 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 Hilmar Unified School District, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit of compliance, we considered Hilmar 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 Hilmar 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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.

Kemper CPA Group LLP

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants
Merced, California
December 17, 2018

KEMPER
CPA GROUP LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Board of Trustees
Hilmar Unified School District

Report on State Compliance

We have audited Hilmar Unified School District's compliance with the requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the California Code of Regulations, Title 5, section 19810 and following, as of and for the year ended June 30, 2018.

Management's Responsibility for the Financial Statements

Management is responsible for compliance with the state statues, regulations and terms and conditions of its state wards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on Hilmar Unified School District's compliance with the applicable compliance requirements based on our audit. 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* and *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in the California Code of Regulations, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the financial statements have occurred. An audit includes examining, on a test basis evidence about Hilmar Unified School District's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hilmar Unified School District's compliance with those requirements.

3168 Collins Drive ▪ Suite B ▪ Merced, CA 95348
Phone: (209) 722-2794 Fax: (209) 383-0562 www.kempercpa.com

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No
Middle or Early College High Schools	No
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: related and supplemental instruction	No
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	No
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	No
Immunizations	Yes

We did not perform testing for Independent Study because the average daily attendance for this program was under the level that requires testing. We did not perform any procedures for the Early Retirement Incentive program because the District did not have any golden handshakes during the fiscal year ended June 30, 2018. We did not perform testing for Juvenile Court Schools, Middle or Early College High School, Apprenticeship, After School Education and Safety Program, and Independent Study Course Based because the District did not offer these programs.

Opinions

In our opinion, the Hilmar Unified School District complied in all material respects with the compliance requirements referred to above that are applicable to the District for the year ended June 30, 2018.

Kemper CPA Group LLP

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants
Merced, California
December 17, 2018

FINDINGS AND RECOMMENDATIONS SECTION

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555	Child Nutrition: National School Lunch Program
10.553	Child Nutrition: School Breakfast Needy
10.559	Child Nutrition: Summer Food Program

Threshold used for distinguishing Types A and B programs:	$750,000
Auditee qualified as low-risk auditee?	No

State Awards

Internal control over state programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for State programs:	Unmodified

Section II – Financial Statement Findings

There are no Financial Statement Findings.

Section III – Federal Award Findings and Questioned Costs

There are no Federal Award Findings or Questioned Costs.

Section IV – State Compliance Findings and Questioned Costs

There are no State Compliance Findings and Questioned Costs.

HILMAR UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Finding/Recommendation	Current Status	District Explanation If Not Implemented
No Prior Year Findings		

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Series 2019 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2019 Bonds in substantially the following form:

[Date of Delivery]

Hilmar Unified School District
Hilmar, California

Hilmar Unified School District
(Merced County, California)
General Obligation Bonds, Election of 2018, Series 2019
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Hilmar Unified School District (the "District"), which is located in the County of Merced (the "County"), in connection with the issuance by the District of $5,750,000 aggregate principal amount of bonds designated as "Hilmar Unified School District (Merced County, California) General Obligation Bonds, Election of 2018, Series 2019" (the "Series 2019 Bonds"), representing part of an issue in the aggregate principal amount of $31,000,000 authorized at an election held in the District on November 6, 2018. The Series 2019 Bonds are issued under and pursuant to a resolution of the Board of Education of the District adopted on February 12, 2019 (the "Resolution").

In such connection, we have reviewed the Resolution, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2019 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Series 2019 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2019 Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated March 6, 2019, or other offering material relating to the Series 2019 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2019 Bonds constitute valid and binding obligations of the District.

2. The Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Series 2019 Bonds and the interest thereon.

4. Interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Hilmar Unified School District (the "District") in connection with the issuance of $5,750,000 aggregate principal amount of Hilmar Unified School District (Merced County, California) General Obligation Bonds, Election of 2018, Series 2019 (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on February 12, 2019 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Financial Obligation" shall mean, for the purposes of the Listed Events set out in Section 5 (a)(x) and 5(b)(viii), 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 defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the Official Statement, dated March 6, 2019 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

"Participating Underwriter" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which due date shall be April 1 of each year, so long as the District's fiscal year ends on June 30), commencing with the report for the 2018-19 Fiscal Year (which is due not later than April 1, 2020), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; 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 to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, 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 provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the then current fiscal year.

(ii) The District's average daily attendance.

(iii) The District's outstanding debt.

(iv) Information regarding total assessed valuation of taxable properties within the District for the then current fiscal year, if and to the extent provided to the District by the County of Merced (the "County").

(v) Information regarding twenty taxpayers with the greatest combined ownership of taxable property in the District, if and to the extent provided to the District by the County for the then current fiscal year.

(vi) Information regarding total secured tax charges and delinquencies on taxable properties within the District for the last completed fiscal year, if and to the extent provided to the District by the County.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

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 in a timely manner not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes;

(ix) bankruptcy, insolvency, receivership or similar event of the obligated person; or

(x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond Holders;

(iii) Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent; or

(viii) incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3 hereof, as provided in Section 3(b) hereof.

(d) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the District determines would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) 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 pursuant to the Resolution.

(e) The District intends to comply with the Listed Events described in subsection (a)(x) and subsection (b)(viii), and the definition of "Financial Obligation" in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Commission in Release No.

34-83885, dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is 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 a filing with the MSRB.

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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.

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 Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Resolution for amendments to the Resolution 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.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, 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 in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County or in U.S. District Court in or nearest to the County. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), 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 obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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.

Dated: March 20, 2019

HILMAR UNIFIED SCHOOL DISTRICT

By: ____________________________________

ACCEPTED AND AGREED TO:

ISOM ADVISORS, A DIVISION OF URBAN FUTURES, INC., as Dissemination Agent

By: ____________________________________
Managing Principal

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	**HILMAR UNIFIED SCHOOL DISTRICT**
Name of Issue:	Hilmar Unified School District (Merced County, California) General Obligation Bonds, Election of 2018, Series 2019
Date of Issuance:	March 20, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated March 20, 2019. [The District anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

HILMAR UNIFIED SCHOOL DISTRICT

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APPENDIX E

MERCED COUNTY INVESTMENT POLICY AND POOLED SURPLUS INVESTMENTS

The following information has been supplied by the County of Merced (the "County") Department of Finance (the "Department of Finance"). Neither the District nor the Underwriter can make any representations regarding the accuracy and completeness of the information. The full Monthly Investment Report is available from the Department of Finance.

Neither the District nor the Underwriter has made an independent investigation of the investments in the County Investment Pool (the "Investment Pool") or an assessment of the current Statement of Investment Policy (the "Investment Policy"). The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein.

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MERCED
COUNTY

INVESTMENT POLICY 2018

Karen D. Adams, CPA
Treasurer

TABLE OF CONTENTS

CONTENTS Continued

PREFACE

Each issue addressed in this policy is considered to be of timely and significant importance to the administration of the investment portfolio. While some portions of this policy are a restatement of State law, these restatements are integral to the purpose and flow of this policy.

The following statements are intended to insure the achievement of the purpose, goals, and objectives of the investment strategy in an orderly, accurate manner. However, there is no guarantee that problems, errors or losses will not arise in the course of administering the investment of funds.

Unforeseen factors may effect the achievement of the goals and objectives of the portfolio. A list of factors include, but are not limited to, the following: national or international events or crises, deviation of actual cash flow from forecasted cash flow, unexpected demands on cash flow, policies made with regard to investment in local depositories, and errors in data or advice used to make decisions, as well as any other unforeseen aberration or event that may impact local, national or international financial markets, economies or politics which in turn has a decided effect upon the portfolio.

Keeping in mind the obstacles and deterrents in pursuing portfolio goals and objectives, this policy is designed to achieve a reasonable rate of return over an economic cycle, consistent with limited risk and prudent investment practices.

SCOPE

The following investment policy pertains to the pooled operating funds of Merced County and depository agencies. Depository agencies consist of school districts, Merced College, special districts and other local agencies. The County retirement system is an independent CA 1937 Act system and the Treasurer is a trustee on the board. The independent retirement system only deposits short-term liquidity monies in the treasury for retiree payroll. This policy is concerned with the deposit, safekeeping and investment of all funds under the control of the Treasurer, as well as all related transactions and investment activities.

PURPOSE

The purpose of the investment policy is to facilitate accomplishment of the goals and objectives of the Treasurer with regard to the investment of idle funds, to provide a framework within which to carry out the business of administering and investing the idle funds of the Treasury, to improve communications at all levels between those interested in the process of investing and administering the idle funds of the Treasury, and to ensure compliance with legal requirements and policies adopted by the Oversight Committee and Board of Supervisors.

LEGAL COMPLIANCE

All investing and investment decisions shall be made with full compliance to California Government Code § 27000 et seq. and 53600 et seq., as well as any forthcoming amendments or additions to the California Government Code in relation to the investment of local agency idle funds. In addition, the Treasurer may provide further restrictions and guidelines for the investment of idle funds through this Statement of Investment Policy and the Investment Guidelines and Procedures Manual.

GOALS AND OBJECTIVES

PRIMARY GOALS

The Treasurer's primary goals for the investment of idle funds (the portfolio) are in order of priority:

1. **Safety**
   Safety of Principal shall mean the safeguarding of capital through the selection of investments and investing procedures to best protect against loss arising from default, fraud or error. To achieve preservation of principal the portfolio structure will be diversified to mitigate credit risk and market risk.

   Credit Risk: The inherit risk of an issuer(s) ability and willingness to repay interest and principal, which shall be mitigated by diversifying the fund so that the failure of any one issuer would not unduly harm the Fund's cash flow.

Market Risk: The inherit risk of market value fluctuations due to changes in the general level of interest rates. Because longer maturity fixed-income securities have greater market risk than shorter maturity securities, market risk will be mitigated by establishing a limit for the weighted average maturity. It is recognized in an active portfolio occasional losses on individual securities are inevitable and must be considered within the context of the overall investment return.

2. **Liquidity**
   Liquidity Maintenance shall mean to always have the ability to convert sufficient securities in the portfolio to cash, with little or no loss in value, to cover cash flow needs of the county and its investing agencies, to meet contingency needs.

3. **Yield**
   Yield refers to earning a reasonable rate of return and shall take into consideration current market conditions, the present phase of the market cycle, both present and future cash flow needs, and the other primary goals of Safety and Liquidity Maintenance.

PRUDENCE

The administration of idle funds of the Merced County Treasurer, as a fiduciary trustee, shall be performed in accordance with the prudent investor standard as stated in California Government Code § 27000.3 and 53600.3:

> "When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the County Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity need of the county and other depositors."

MAINTENANCE OF PUBLIC TRUST

As the Treasurer has been entrusted with the safekeeping of Public Monies received from Public Sources, the Treasurer in managing Investment Portfolios shall exercise a high degree of professionalism to insure and sustain public confidence, remembering that both the investment instruments and the methods of transacting investment business are subject to public review and scrutiny.

ETHICS AND CONFLICT OF INTEREST

The Treasurer and all investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Treasurer and all investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions which conduct business with the County of Merced and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the County of Merced investment portfolio.

POLICY SUMMATION OF BASIC STRATEGY

The basic investment strategy will be to safeguard the principal of all investments, maintain sufficient liquidity to meet the regular cashflow needs of the Treasury while reserving contingent liquidity to meet unanticipated cashflow demands, and utilize various investment approaches to take advantage of current market yield opportunities. A maximum rate of return will be sought in a manner consistent with the safeguarding *of* principal and meeting liquidity needs.

AUTHORITY

DELEGATION

Annually the Board of Supervisors may delegate to the County Treasurer the authority to invest or reinvest funds of the County of Merced and funds of other depositors in the County Treasury.

Pursuant to California Government Code § 27000.1, 53601 and 53635, and Merced County Ordinance No. 1720, as codified at Chapter 5.40 of the Merced County Code, the Treasurer has full responsibility to invest or to reinvest funds under the control of the Treasurer, or to sell or exchange as is desirable to do so. The responsibility to execute investment transactions made by the Treasurer may be further delegated to deputies under the direction of the Treasurer.

RETENTION

The Treasurer shall retain the authority to add to, delete or amend the Investment Policies and the Investment Guidelines as is necessary to facilitate accurate and efficient transactions pertaining to the investment of idle funds, for the best interest of the County.

TREASURY OVERSIGHT COMMITTEE

Pursuant to the addition of Article 6, to Chapter 5 of Division 2 of Title 3 of the California Government Code, the County Treasurer shall create a County Treasury Oversight Committee to promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return of their funds through the establishment of criteria for the withdrawal of funds. Nothing in this policy shall be construed to allow the County Treasury Oversight Committee to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the County Treasury. The duties of the County Treasury Oversight Committee will be delineated in the Investment Guidelines. In compliance with California Government Code § 27131 and to maintain equity of all depositors, the membership of the County Treasury Oversight Committee shall consist of the following:

MEMBERS

The members of the Treasury Oversight Committee (TOC) shall consist of:

- The County Auditor – or alternate
- A Board of Supervisors - designee or alternate
- The Superintendent of Schools - or alternate
- A College District - designee or alternate
- A Special District - designee or alternate

- Two Members of the Public with expertise, or academic background, in public finance.

Government Code § 27133 (d) requires limits to be set on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the County Treasury conducts business by any member of the County Treasury Oversight Committee. These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the Fair Political Practices Commission. TOC Members are prohibited from raising money for the County Treasurer or a Board of Supervisor (with the exception of raising money for their own position) while serving as a member on the committee.

DUTIES OF THE TREASURY OVERSIGHT COMMITTEE (TOC)

The Treasury Oversight Committee (TOC) is required annually to review and monitor the investment policy prepared by the County Treasurer, pursuant to Government Code § 27133, and to cause an annual compliance audit, pursuant to Government Code § 27134.

Established here as policy, the TOC will review and accept the Statement of Investment Policy prepared by the Treasurer in January of each year. Any revisions to the Statement of Investment Policy will also be reviewed and accepted by the TOC prior to submitting any such revisions to the Board of Supervisors for review and acceptance.

The Treasurer will annually submit the Statement of Investment Policy to the Board of Supervisors to be reviewed and accepted at a public meeting as required by Government Code § 53646. This section also requires that any change in the policy be reviewed and accepted by the Board of Supervisors at a public meeting. As a matter of policy, the Statement of Investment Policy will be accepted by the TOC prior to being submitted to the Board of Supervisors in January of each year.

ANNUAL AUDIT

As of the end of each fiscal year, the TOC shall cause an annual audit to be conducted to determine compliance with the Statement of Investment Policy and an audit of the interest apportionment. Additionally, the audit may address questions of portfolio structure and risk. The audit findings will be an agendized item at the TOC meeting following the release of the audit. The cost of the audit will be charged against the Treasurer’s budget and will be included in the investment expenses which are deducted from earnings prior to interest apportionment. A copy of the annual audit will be distributed pursuant to Government Code § 53686.

MEETINGS

The TOC meets on a quarterly basis. These meetings are held within 30 days after the end of each quarter. Meeting dates and times are established at the beginning of each calendar year.

ADMINISTRATION

SAFEKEEPING

Investments are held in a third-party safekeeping custodial account designated by the Treasurer to provide the public with the highest degree of protection with regard to investments held in the portfolio. The delivery-versus-payment (DVP) purchase procedure will be used. Third-party safekeeping refers to holding securities in a trust account by an entity other than the party through whom the investment was purchased. The DVP refers to the practice of using an escrow procedure to process a transaction through the third-party safekeeper. This practice ensures that the transaction settles after the transaction terms and conditions of the parties involved have been met.

COLLATERALIZATION

Repurchase agreements are required to be collateralized by securities or cash authorized under California Government Code § 53601.7(e). In order to anticipate market changes and provide a level of security the collateralization level will be a minimum of 102% of market value of the principal and accrued interest and shall be marked-to-market no less frequently than weekly. A Master Repurchase Agreement is required for the authorized bank and broker/dealer accounts for all daily cash surplus (see Investment Terminology).

PERFORMANCE BENCHMARK

The investment portfolio is constructed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, matching the investment risk controls and cash flow requirements, thus preserving capital, meeting liquidity, and providing yield. The Treasurer's investment strategy is to manage the portfolio with less risk than a benchmark comparable index and to use economies of scale to invest and administer the program at a reasonable cost. As a result the portfolio is benchmarked against both the BofA Merrill Lynch 1-3 Year US Treasury Index and the California Local Agency Investment Fund (LAIF).

INTERNAL CONTROLS *& PROCEDURES*

The Treasurer has established a system of written internal controls, which is reviewed annually with the County's independent (external) auditor. The controls are designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions of employees of the Treasurer's Office. The Treasurer shall evaluate any audit reports in a timely manner with the Treasury Oversight Committee. The quarterly audit reports of the Treasury shall be provided as required by Government Code § 26920 through 26922. Daily compliance of the investment portfolio shall be performed by the Treasurer's Compliance Division. Compliance will be determined on a fair market value basis. Cash held at the bank will not be included in the pool balance. All agreements, statements, and trade packets will be subject to review annually by auditors in conjunction with their audit.

The Treasurer has procedures for the investment process that are consistent with this policy and are statutorily compliant. Procedures include safekeeping, master repurchase agreements, wire transfer agreements, collateral and depository agreements, banking service contracts and other investment and banking related activities. Such procedures include explicit delegation of authority to personnel responsible for investment transactions.

The Treasurer shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the County Treasurer is not present. No investment personnel may engage in an investment transaction except as provided under terms of this policy and the procedures established by the County Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of Treasury personnel.

COMPETITIVE BIDDING

All transactions will be made through the use of competitive bids whenever possible. At least two (2) competitive bids will be solicited for each transaction. If the solicitation of two bids is not feasible or practical, the reason will be stated in the transaction documentation. Exceptions to the use of competitive bids may include, but are not limited to the following:

1. Market circumstances where time constraints would make the bid process impractical.
2. Investments possessing distinctive characteristics.
3. Overnight deposits where time constraints may not accommodate the bid process.
4. Transactions in which investments are actively traded and priced by market information services such as Telerate and Bloomberg, where current market price can be readily determined.

REPORTING

California Government Code § 53646 require the following regarding reporting:

> The Treasurer shall annually render a Statement of Investment Policy to the Oversight Committee and to the Board of Supervisors. The Treasurer shall render quarterly an Investment Report to the County Executive Officer, the County Auditor, Board of Supervisors and Oversight Committee within 30 days following the end of the quarter covered by the report.

As required by Government Code § 53646, the quarterly report will include:

1. A ledger of daily transactions for the quarter;

2. A list of holdings as of the last day of the quarter which notes:
    a. Type of Investment
    b. Issuer
    c. Date of Maturity
    d. Par Amount
    e. Book Value
    f. Market Value at Quarter-end (and Source of Value);

3. A statement of compliance with the Statement of Investment Policy or an explanation of any variance;

4. A statement of the pool's ability to meet the expenditure requirements for the next six months or an explanation of why the pool cannot meet the expenditure requirements.

A monthly transaction report will be submitted to the legislative body per Government Code § 53607.

As deemed appropriate, the Treasurer or the TOC may issue additional statistical or narrative reports.

MARKED-TO-MARKET

Marked-to-Market is the requirement of the AICPA's pronouncement GASB 31 which dictates that portfolios disclose the Fair Market Value of investments on a given date. Fair Market Value can be determined by an independent agency. The cost of an independent agency is significant and we have determined that the portfolio valuation will be marked-to-market using our custodian's fair market valuation rather than incurring an additional vendor cost. Our Custodian utilizes several market pricing services, including Merrill Lynch, Bloomberg, and others.

INTEREST APPORTIONMENT

Historically, Interest Apportionment was calculated using the cash basis method of accounting. Effective July 1, 1999, the Interest Apportionment changed from the cash basis to the modified accrual basis method of accounting. All interest earnings, amortization earnings, and coupon payments are deposited into Trust Fund # 2070 Treasurer's Interest. A modified journal entry is processed to recognize the accrued interest and amortization for the quarter. Departmental treasury costs are recovered quarterly based on actual treasury expenditures. After all expenditures are netted against earnings, the net revenues are distributed to the Pool Participants through the following Interest Apportionment process.

At end of month, the Auditor-Controller's department requests report FM-0606 Average Daily Cash Balances and report FM-0606-A Interest Apportionment Control Report.

FM-0606 Average Daily Cash Balances shows each fund's cumulative balance, number of days the fund had a balance, and average balance for each fund. The cumulative balance is computed by adding the daily balances of the fund. The average balance is the cumulative balance divided by the number of days the fund had a balance.

FM-0606-A Interest Apportionment Control Report shows the Apportionment Total which was posted to each fund. The Apportionment Total is calculated as follows:

(1) First, the system determines the fund's percent of the pool by using the following

figures calculated on report FM-0606 Average Daily Cash Balance: Cumulative balance for the fund divided by the total cumulative balance of all funds.

(2) Next, the fund's percent of the pool is multiplied times the Net Revenues. The result is the fund's Interest Apportionment for the quarter.

VOLUNTARY DEPOSITORS

A voluntary depositor is any local agency who has applied for and been granted participation in the county investment pool. The local agency's treasurer or other official responsible for their funds has determined that they have excess funds which are not required for immediate use. Once the excess funds are identified, the local agency's legislative or governing body must adopt a resolution that authorizes the investment of the funds pursuant to Government Code § 53684, and with the consent of the County Treasurer, deposit the excess funds in the county treasury for the purpose of investment by the County Treasurer pursuant to Government Code § 53601 or 53635. The resolution shall specify that the local agency acknowledges and is willing to be bound by the withdrawal provisions of Government Code § 27136, and that administrative charges will be deducted by the Treasurer as permitted by Government Code § 53684(b) and 27013. The Treasurer shall approve or disapprove such agency's request in writing.

WITHDRAWAL OF FUNDS

Withdrawals for claims and accounts payable are to be made by auditor's warrant. Various forms of electronic transfer can be used to make withdrawals for the purpose of payroll, bond and note related transactions and to transfer investment funds.

The Treasurer's Investment Policy establishes guidelines for unusual or unexpected withdrawal of cash and provides for adequate liquidity to cover day-to-day operations of pool depositors. On occasion, depositors have need of withdrawals that exceed those normally associated with operations. It is essential that all agencies inform the Treasurer of anticipated withdrawals in excess of $2,000,000 as far in advance as possible. To accommodate such withdrawals, the Treasurer-Tax Collector's Office has established written notification requirements as set forth below to allow for adjustments to the liquidity position of the Portfolio.

The notification required is as follows:
Withdrawals of up to $2,000,000 - 24 hours
Withdrawals of $2,000,001 and more - 72 hours

Failure to adhere to these requirements may result in payment being delayed by the Treasurer-Tax Collector's office.

Pursuant to CA Government Code § 27136, prior written notice is required for withdrawals from the county treasury pool for the purpose of investing or depositing funds outside of the county treasury. The written notice may be submitted via email or fax, with original request to follow. The Treasurer will evaluate each proposal to ensure that the request will not adversely affect the interest of the other depositors in the Treasury. Should the Treasurer determine that a withdrawal for the purpose of investing or depositing funds (including reinvestment of note proceeds) outside of the county treasury would adversely affect the interest of other depositors in the pool, the Treasurer may utilize either: the provisions of Government Code § 53684 to require 30 days written notice prior to any withdrawals, or honor the withdrawal at the current market value of the portfolio. Approval of the withdrawal does not constitute approval or endorsement of the investment.

BUSINESS CONTINUITY PLAN

Merced County is located in a severe flood plain as determined by the California Office of Emergency Services. Due to the concern that mission critical functions cannot be performed, the Merced County Treasury has established a Continuity of Operations Plan (COOP) for conducting Treasury business. In the event the primary place of business is inaccessible, please refer to the Merced County COOP Plan.

Located within the Treasury department is one (1) separate and secure workstation used for the sole purpose of accessing Wells Fargo CEO web portal for wire transfers. All other information is located on the County server.

In the event we are unable to conduct normal business operations, authorized personnel shall activate the Merced County Treasury's Continuity of Operations Plan (COOP) using three (3) secure laptops at remote locations. These secure laptops are programmed to access the Wells Fargo CEO web portal and a secure cloud portal using Microsoft OneDrive for Business only, to perform the mission critical functions.

Ongoing testing of the Merced County Treasury's COOP is performed to ensure preparedness should an emergency occur.

The Plan provides for continuity of mission critical functions of the Treasury to be initiated within 0-12 hours of an event.

Mission critical functions for the Treasury have been identified as follows:

1. Project daily cash flow and ensure sufficient liquidity to meet the needs of the pool participants.
2. Reconcile daily cash with bank.
3. Reconcile daily cash to OneSolution General Ledger.
4. Reconcile daily checkbook.
5. Prepare bank deposit.
6. Evaluate Positive Pay and make decision to honor or reject.
7. Initiate wires and transfer funds as required.
8. Review and approve initiated funds wires.
9. Monitor investment portfolio and make changes as required.

In all cases, the safety of Treasury personnel is paramount. In no event will the alternate locations or processes be employed if doing so will endanger any person at any time.

AUTHORIZED INVESTMENTS & DIVERSIFICATION

Pursuant to CA Government Code § 27000 - Prudence definition,
§ 53600 - Local agency definition, § 53601 - Authorized investments
(See Appendix 1 for complete investment listing)

The Treasurer has established the following self-imposed restrictions which exceed the statutory requirement to ensure diversification is maintained in the portfolio. The diversification is critical to reduce risks associated with investment concentration, quality and duration. The portfolio's approved Weighted Average Maturity (WAM) is not to exceed 730 days with no more than 10% held in one issuer's name. Due diligence is performed for approval of all government pools and money market accounts for short-term and overnight liquidity accounts*. Laddering, fed fund targets and other opportunities are continuously evaluated to define the strategy for the portfolio.

Government Code § 53601 INVESTMENT TYPES & RESTRICTIONS*			TREASURER IMPOSED
TYPE	**MAXIMUM TERM**	**MAXIMUM %**	**RESTRICTIONS**
(a) Local Agency Bonds	5 years	No limit	30%
(b) USTN, Bonds, Bills,...	5 years	No limit	50%
(c) Reg'd State Wts, TN Bonds	5 years	No limit	30%
(e) Local Agency Bonds, Notes,..	5 years	No limit	75%
(f) Agency Obligations… FNMA, FHLB...	5 years	No limit	75%
(g) Bankers Acceptances	180 days	40%; limited to 30% in one specific bank	25%; limited to10% in one specific bank
(h) Commercial Paper	270 days	25%; limited to 10% in one single corp.issuer	20%; limited to 10% in one single corp.issuer
(i) Certificates of Deposits	5 years	30%	30%
(j) Repurchase Agreements *	1 years	20%	20%
(k) Corp. Notes (MTNs) *	5 years	30%	30%
(q) Supranationals –Int'l Bk for Recons & Devel (IBRD), Int'l Fin Corp (IFC) or Inter-American Dev Bk (IADB)	5 years	30%	30%
LAIF **	not specified	50MM	50MM or 25%

Due to fluctuations in the portfolio's balance, compliance testing is applicable on the day of purchase.

* THE COUNTY TREASURER WILL NOT PURCHASE any mortgage backed or asset backed securities, reverse repurchase agreement, strips or zero interest accrual investments, with the exception of any exposure in money markets purchased for the portfolio.

** The County has authority over two LAIF accounts; a general pool account and a Merced County Office of Education (MCOE) account.

AUTHORIZED BROKERS/DEALERS & DEPOSITORIES

Brokers, Dealers and Banks approved for transacting business with the Merced County Treasurer*'s* office must complete a detailed questionnaire and provide audited financial statement, references and requested financial institution information. A review and approval is required before any investment services can be considered. On-going evaluations are completed on all approved broker/dealer/depositories relationships on a regular basis as deemed necessary. A current list is maintained in the Treasury and available upon request.

1. Institutions designated as primary dealers by the Federal Reserve Bank of New York, or

2. Banks identified as one of the top 100 banks in the world, or

3. Banks, brokers or dealers whose transactions are guaranteed by one of the top 100 banks in the world, or

4. Banks, brokers or dealers whose parent company is one of the top 100 banks in the world.

6. Prohibited from making Political Contributions to County officials.

6. All authorized brokers of the County certify that they have reviewed the California Government Code § 53600 et seq. and the County's Investment Policy and that all securities offered to the Merced County *Treasury* will comply with the provisions of the Code and Investment Policy.

7. The Treasurer has posted the "Independent Registered Municipal Advisor Exemption Notice" on the webpage at www.mercedtaxcollector.org under the Treasury tab.

REVIEW AND ANALYSIS OF PROSPECTIVE INVESTMENTS

Whenever possible, investment vehicles shall be selected according to specific needs and portfolio guidelines, as well as economic and market conditions. Due to the complexity of the various investment instruments available and uncertainty of market conditions, the Treasurer may seek professional advice in making investment decisions in order to optimize investment selections.

The portfolio is managed in accordance with Statement No. 40 of the Government Accounting Standards Board for Deposit and Investment Risk Disclosure. The investments shall be diversified by limiting investments to avoid concentration in specific issuer or business sector;

limiting investment in securities that have higher credit or liquidity risks; investing in varying maturities; and continuously investing in overnight repurchase agreements, money markets, and the California Local Agency Investment Fund (LAIF).

PUBLIC INQUIRY

The County Treasurer's portfolio and related transactions are a matter of Public Record. Any member of the public may receive a copy of the portfolio or Investment Policy by requesting a copy at the Treasurer's Office. The Treasurer may charge a fee for the copy, as prescribed by law.

MERCED COUNTY TREASURER

LISTING OF
INVESTMENT TERMINOLOGY

ACCRUED INTEREST: The amount of interest that is earned, but unpaid since the last interest payment date.

AGENCY: Securities issued by government-sponsored corporations such as Federal Home Loan Banks (FHLB) or Federal Land Banks (FLB.) Agency securities are exempt from Securities and Exchange Commission (SEC) registration requirements.

AMERICAN CALL: Bonds may be called at any time following the first call or lockout period.

AMORTIZATION: Accounting procedure that gradually reduces the cost value of a limited life or intangible asset through periodic charges to income. It is a common practice to amortize any premium over par value paid in the purchase of bond investments or any discount under par value recognized in the purchase of bond investments.

ASKED PRICE: The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

BANKER'S ACCEPTANCE (BA): Time draft drawn on and accepted by a bank [for up to 6 months], the customary means of effecting payment for merchandise sold in import-export transactions and a source of financing used extensively in international trade. These are time drafts in which a bank "accepts" as its financial responsibility to pay the principal at maturity even if the importer does not. In essence, these are bank obligations collateralized by goods being shipped between an exporter and an importer. With the credit strength of a bank behind it, the banker's acceptance usually qualifies as a MONEY MARKET instrument. The liability assumed by the bank is called its acceptance liability.

BANKER NOTE (BN): Similar to Commercial Paper (debt instrument issued by the Bank's holding company), but the Bank Note is issued directly by the Bank and not the holding company. BNs represent the highest senior debt issued by the bank, second only to Certificate of Deposit holders; highly negotiable and liquid; an allowable and accepted institutional investment form.

BASIS POINT: When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Example: 0.25% is twenty-five basis points. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BERMUDA CALL: Bonds may only be called on a pre-determined schedule of call dates. Monthly, Quarterly, Annually etc.

BID PRICE: The price at which a buyer offers to buy a security.

BOND: A long-term debt instrument in which the investor lends money to the bond issuer, who agrees to pay a stated rate of interest over a specified period of time. Very simply, a bond is a promissory note which is traded in the financial markets. The investor's position is that of lender.

BOND RATING: A rating selected from a scale which indicates the relative likelihood of default.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most money market securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). These securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment, plus accrued interest and amortization of any premium or discount.

BROKER: A broker brings buyers and sellers together and is compensated for his/her service.

CALL OPTION: A contract which allows the holder to buy a specified quantity of an asset at a specified price on or within a specified date.

CALLABLE BONDS: Bonds which may be redeemed by the issuing company prior to the maturity date.

CANARY CALL: Bonds may be called during an open call period, if not called on the last date, then they become non callable to maturity.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a capital asset.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement or securities pledged by a financial institution to secure deposits of public moneys. Repurchase agreements are required and must be executed with approved broker-dealers, collateralized with either: (1) U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the approved list of the County and which meet the qualifications of the Policy with a market value of 102%.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the County. It includes five combined statements for each individual fund necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed.

COMMERCIAL PAPER (CP): Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations, and other borrowers to investors with temporarily idle cash. Such instruments are unsecured and usually discounted, although some are interest-bearing. Investors (actually lenders, since commercial paper is a form of debt) like the flexibility and safety of an instrument that is issued only by top-rated concerns and is nearly always backed by bank lines of credit. Both Moody and Standard & Poor assign ratings to commercial paper.

COUPON OR COUPON RATE: The rate at which a bond pays interest. Stated as a percentage of par and computed out to a dollar amount. Example: A note with a coupon of 6% pays $30,000 interest per million dollars of par every six months, or $60,000 annually.

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE: A security whose interest rate of principal amount may vary and is determined by a market index or a combination of market indexes.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for the full face value of the investment.

DIVERSIFICATION: An investment strategy designed to spread the risk in a portfolio by dividing investments among different sectors, industries and companies.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by size of that investment.

EUROPEAN CALL: Bonds may only be called on one pre-determined date.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $100,000 per deposit.

FED FUNDS: The settlement is to be consummated with funds on deposit at the Federal Reserve Bank; and thus available the same day. All government securities are traded on Fed Funds; also referred to as "same day funds".

FEDERAL FUNDS RATE: Interest rate at which banks lend federal funds to each other.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks that lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder owned corporation.

FEDERAL OPEN MARKET COMMITTEE (FOMC): This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.

FIXED-INCOME SECURITIES: Securities which return a fixed income over a specified period.

FLOATING RATE NOTE: A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, ect.).

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, saving and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

LOCAL AGENCY: County, city, city and county, including a charter city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

MARKET: Refers to the place, physical or electronic, that investment transactions take place. The New York Stock Exchange (NYSE) is a recognized exchange (stock market) with a physical location in New York. The Chicago Board of Trade (CBT) is a recognized exchange (commodities market) with a physical location in Chicago. The "over-the-counter" market is an electronic and phone system used to trade investments which are not traded on recognized exchanges. Bond and money market investments (fixed income securities) are traded on the "over-the-counter" market.

MARKET RISK: The risk that changes in overall market conditions or interest rate may adversely affect current market prices.

MARK-TO-MARKET: The market valuation for every security in a portfolio used in determining Net Asset Value (NAV).

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A required written contract covering all future transactions between the parties to repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower (see Collateral).

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTE (MTN): Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term "medium-term notes" refers to the time it takes for an obligation to mature, and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five year maturity range. MTNs issued by banks are also called "bank notes."

MONEY MARKET: The market in which short term debt instruments (Treasury bills, discount notes, commercial paper, bankers' acceptances, ect.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invests in a variety of short-term money market instruments. The Net Asset Value (NAV) of these funds should remain at $1.00; however, it is not guaranteed.

MUNICIPAL DEBT: Issued by public entities to meet capital needs.

NATIONALLY RECOGNIZED RATING SERVICES: Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.) The primary rating agencies include Standard & Poor's Corporation; Moody's Investor Services, Inc.; Fitch Investors Service; Duff & Phelps Investment Service; Thompson Bank Watch and International Bank Credit Analyst.

NEGOTIABLE CERTIFICATE OF DEPOSIT (CD): Large-dollar-amount, short-term certificate of deposit. Such certificates are issued by large banks and bought mainly by corporations and institutional investors. They are payable either to the bearer or to the order of the depositor, and, being NEGOTIABLE, they enjoy an active SECONDARY MARKET, where they trade in round lots of $5 million.

NET ASSET VALUE (NAV): A per-share valuation of a mutual fund based on total assets minus total liabilities.

NON CALLABLE: Bond that is exempt from any kind of redemption for a stated time period. Also known as a Bullet Bond.

OFFER PRICE: The price asked by a seller of securities.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy.

PAR VALUE: The amount of principal which must be paid at maturity; also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PLAIN VANILLA: Non-derivative investments which are not leveraged and whose interest rates do not change.

PORTFOLIO: A group of securities held by an investor.

PREMIUM: The difference between the par value of a bond and the market value of the bond, when the market value is above par.

PRICE: The percentage of par at which a security is bought and sold. Corporate debt is traded in denominations of 100th of a percent. Government debt is traded in denominations of 32nds of a percent.

PRICE RISK: The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York, and are subject to its informal oversight.

PRIME RATE: The interest rate banks charge the biggest borrowers with the best credit ratings.

PRINCIPAL: The face value or par value of an investment.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

PSA MASTER REPURCHASE AGREEMENT: A required written contract covering all future transactions between the authorized bank and the Treasurer to repurchase agreements that establish each party's rights in the transactions (see Collateral & Repurchase Agreement).

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

RECEIVABLE-BACKED SECURITIES: Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASS-THROUGH CERTIFICATE: A debt obligation that is backed by a portfolio of receivables, normally issued by a bank of financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

REGISTERED STATE WARRANT: A short-term obligation of a state governmental body issued in anticipation of revenue.

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

REPURCHASE AGREEMENT (RP OR REPO): The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities at a later date at a specified price that includes interest for the buyer's holding period. In essence, this is a collateralized investment whereby the security "buyer" lends the "seller" money for the period of the agreement.

REVENUE ANTICIPATION NOTES OR RANs: Notes issued for thirteen months or less which are used to finance cashflow in anticipation of future tax revenue. Used by agencies having cashflow gaps between revenues and expenses that requires short-term interim financing. Also see Tax Anticipation Notes (TANs) and Tax and Revenue Anticipation Notes (TRANs).

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING: The holding of securities in a segregated account by a custody agent or trustee. Transactions are escrowed through these accounts by the custody agent or trustee. Safekeeping services are typically provided by banks and other financial institutions.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SETTLEMENT DATE: The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

SUPRANATIONALS: International institutions that provide development financing, advisory services and/or other financial services to their member countries to achieve overall goal of improving living standards through sustainable economic growth. Key features are Triple-A rated, 0% risk weighting with Basle II and III, Financial strength based on diversified, sovereign shareholders, conservative risk management, quality loan portfolio (preferred creditor status), substantial liquidity and consistent profitability strong capitalization.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, ect.) and Corporations that have imbedded options (e.g., call features, step-up coupons) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TAX ANTICIPATION NOTES OR TANs: Notes issued for thirteen months or less which are used to finance cashflow in anticipation of future tax revenue. Commonly used by California local governments whose primary revenues are property taxes which are collected in December and April. Also see Revenue Anticipation Notes (RANs) and Tax and Revenue Anticipation Notes (TRANs).

TAX AND REVENUE ANTICIPATION NOTES OR TRANs: Notes issued for thirteen months or less. They are a combination of Tax Anticipation Notes (TANs) and Revenue Anticipation Notes (RANs). Also see Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs).

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

TREASURIES: Securities issued by the U.S. Treasury and backed by the FULL FAITH & CREDIT of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal taxes.

TREASURY BILLS: Non-interest bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.

TREASURY NOTES (USTN): Interest-bearing obligations issued by the U.S. Treasury with maturities ranging from two to ten years from the date of issue.

TREASURY BONDS: Interest-bearing obligations issued by the U.S. Treasury with maturities that range from ten to thirty years from date of issue.

YANKEE BANK: A foreign bank with operations in the U.S. Bonds issued by these banks are called Yankee bonds.

YIELD: The annual rate of return on a debt investment computed as though held to maturity expressed in %.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cashflows and timing factors: interest earnings, discounts, and premiums above par.

ZERO-COUPON BONDS/U.S. TREASURY STRIPS: A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. "Zero" or "strips" mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.

Merced County

Treasury Investments

for the

Quarter Ending September 30, 2018

by D.S.

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Report of Quarter Ending September 30, 2018

MERCED COUNTY TREASURY

Karen D. Adams, CPA
Treasurer-Tax Collector

2222 "M" Street
Merced, CA 95340
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(209) 725-3905 (Fax)
www.mercedtaxcollector.org

PORTFOLIO REVIEW

for the Quarter Ending September 30, 2018

Portfolio Composition:

Book Value of Assets Held	$858,929,444
Market Value of Assets Held	$851,033,693
Assets Maturing Within 90 Days	$236,994,963
Percentage of Market to Book Value	99.08%
Weighted Average Maturity	459 days

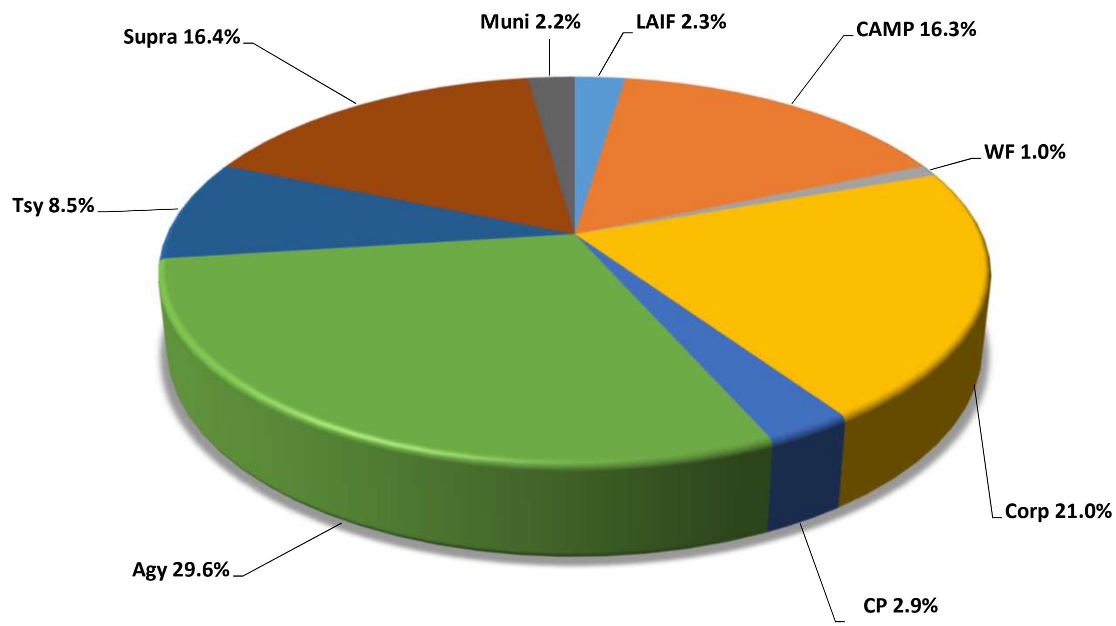
Return on Assets:

Total Earnings Quarter Ended	$3,961,615
Total Earnings Fiscal YTD	$3,961,615
Rate of Return QTR	1.87%
Rate of Return Fiscal YTD	1.87%

The entire portfolio is in Full Compliance with the Investment Policy and California Government Code.

Investment Pool
Allocation by Security Types
September 30, 2018

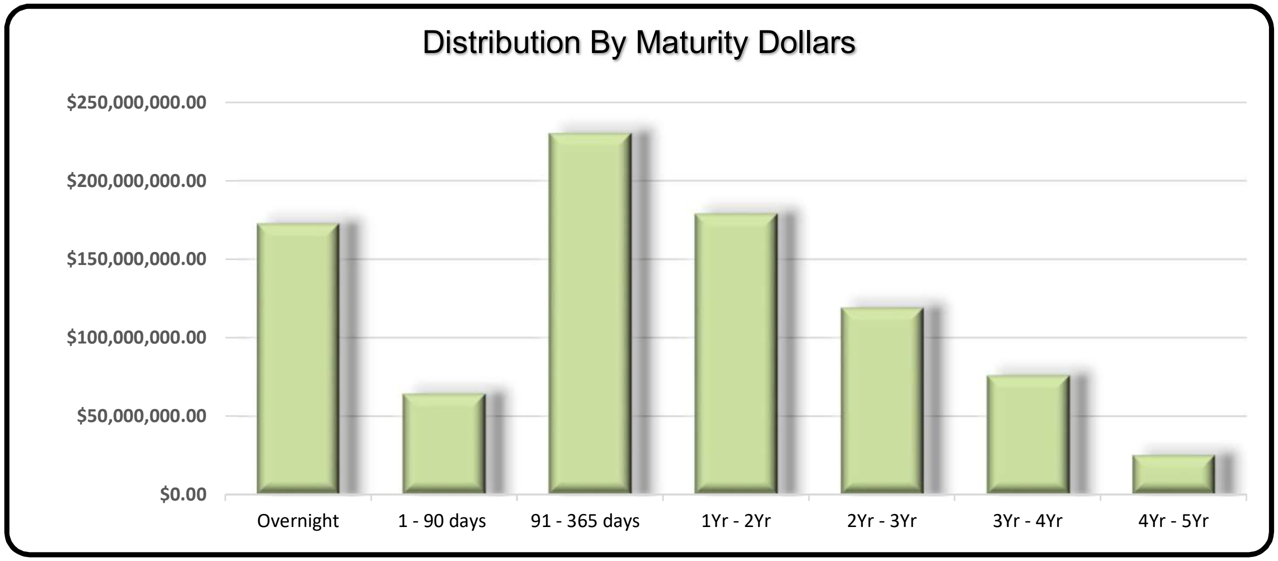
SECTOR	9/30/2018	6/30/2018	% Chng
LAIF	2.34%	2.20%	0.14%
CAMP	16.25%	16.91%	-0.66%
Wells Fargo Account	0.95%	0.40%	0.55%
Corporate Bonds	20.97%	18.96%	2.01%
Commercial Paper	2.89%	9.20%	-6.31%
Federal Agency	29.56%	27.07%	2.49%
U. S. Treasuries	8.46%	8.44%	0.02%
Supranational	16.39%	14.77%	1.62%
Municipal Securities	2.19%	2.05%	0.14%
Total	100.00%	100.00%	



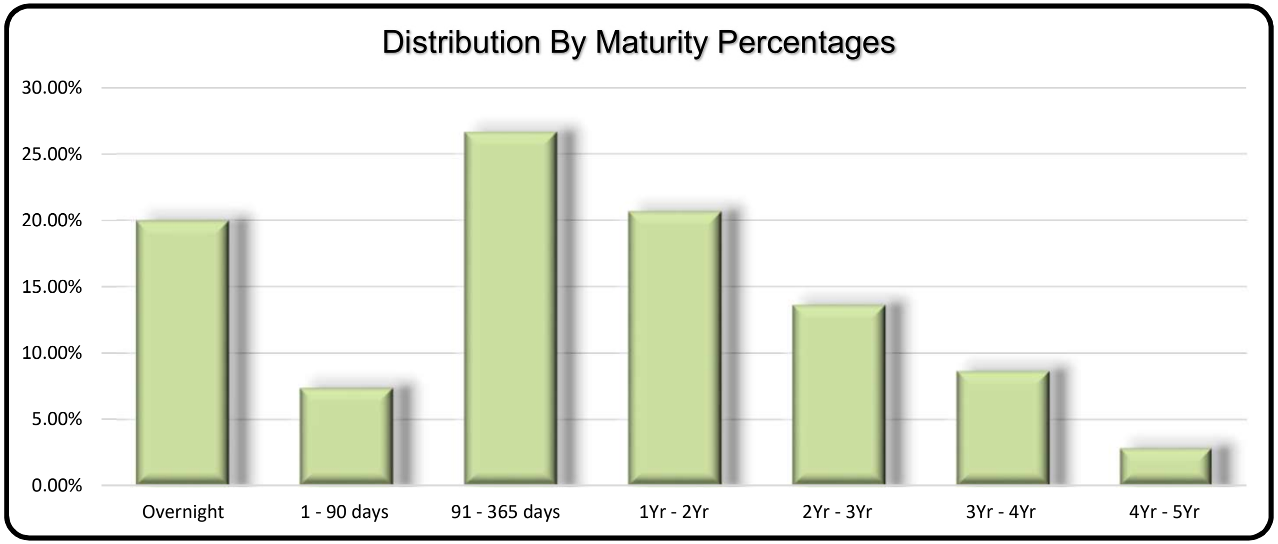
SECTOR	9/30/2018	6/30/2018
LAIF	$20,109,721.47	$20,109,721.47
CAMP	139,527,971.50	155,497,568.68
Wells Fargo Account	8,172,270.08	3,694,648.46
Corporate Bonds	180,133,914.53	174,267,512.74
Commercial Paper	24,831,934.24	84,565,805.09
Federal Agency	253,892,880.43	248,793,744.24
U. S. Treasuries	72,640,834.84	77,583,660.57
Supranational	140,734,703.10	135,778,666.68
Municipal Securities	18,839,049.77	18,848,296.54
Total	$858,883,279.96	$919,139,624.47

Investment Pool
Distribution by Maturity
September 30, 2018

Maturity	Par Amount
Overnight	$172,809,963.05
1 - 90 days	64,185,000.00
91 - 365 days	230,509,000.00
1Yr - 2Yr	178,995,000.00
2Yr - 3Yr	119,000,000.00
3Yr - 4Yr	75,650,000.00
4Yr - 5Yr	25,000,000.00
	$866,148,963.05



Maturity	% Amount
Overnight	20.00%
1 - 90 days	7.43%
91 - 365 days	26.64%
1Yr - 2Yr	20.68%
2Yr - 3Yr	13.67%
3Yr - 4Yr	8.71%
4Yr - 5Yr	2.86%
	100.00%



MERCED COUNTY TREASURY

MERCED COUNTY TREASURY

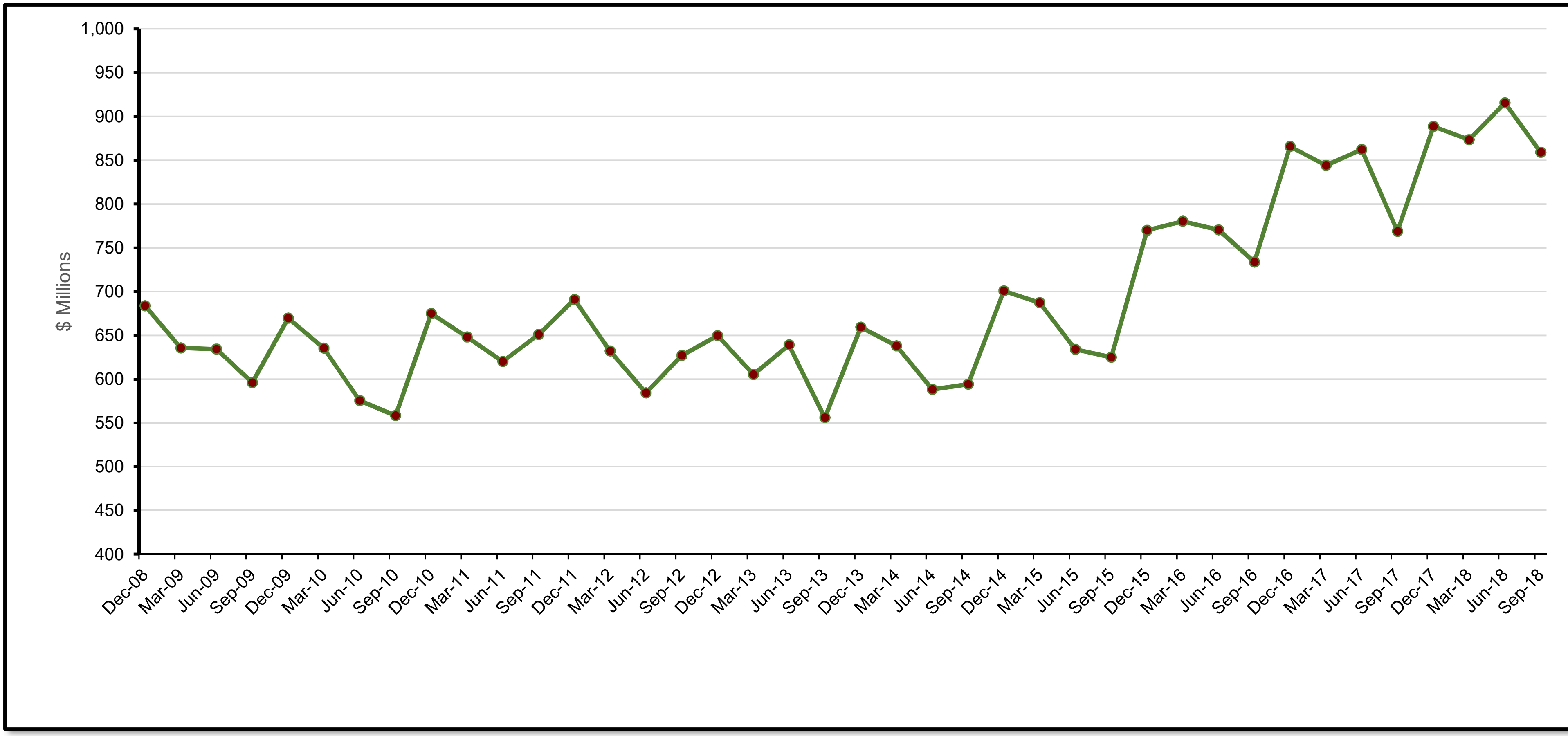
Summary by Type

September 30, 2018

SECURITY TYPE	NUMBER OF INVESTMENTS	PAR VALUE	BOOK VALUE	Percent of Portfolio	*COMPLIANCE % ALLOWED	MEET Compliance
Treasury Coupon Securities	16	73,025,000.00	72,640,834.84	8.46%	30.00%	YES
Federal Agency Coupon Securities	48	254,545,000.00	253,892,880.43	29.56%	75.00%	YES
Supranationals - IBRD, IFC, IADB	27	141,220,000.00	140,734,703.10	16.39%	30.00%	YES
Medium Term Notes	35	180,784,000.00	180,133,914.53	20.97%	30.00%	YES
Municipal Bonds	6	18,765,000.00	18,839,049.77	2.19%	75.00%	YES
Commercial Paper	1	25,000,000.00	24,831,934.24	2.89%	30.00%	YES
LAIF	2	20,109,721.47	20,109,721.47	2.34%	25.00%	YES
Managed Pool Accounts	4	147,700,241.58	147,700,241.58	17.20%	25.00%	YES
	139	861,148,963.05	858,883,279.96	100.00%		

* Compliance percentage is calculated at the time the investment is purchased, as percentages change daily due to fluctuating amounts in overnight accounts.

Investment Pool
Historic Quarter End Book Values
FY 2009 to 2019



Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sept	$717	$596	$558	$651	$627	$556	$594	$625	$734	$769	$859
Dec	$684	$670	$675	$691	$650	$659	$701	$770	$866	$889	
Mar	$636	$635	$648	$632	$605	$638	$687	$780	$844	$873	
June	$634	$576	$620	$584	$639	$588	$634	$771	$862	$915	

Investment Pool
Portfolio Review of Five Quarters

Quarter Ending	**Sept. 30, 2018**	**June 30, 2018**	**Mar. 31, 2018**	**Dec. 31,2017**	**Sept. 30, 2017**
Portfolio Composition:					
Book Value of Assets Held	$ 858,929,444	$ 915,444,976	$ 873,309,300	$ 888,692,741	$ 768,827,203
Market Value of Assets Held	$ 851,033,693	$ 907,952,142	$ 866,300,240	$ 884,505,391	$ 767,575,959
Assets Maturing Within 90 Days	$ 236,994,963	$ 263,111,938	$ 212,945,547	$ 259,164,925	$ 153,282,294
Percentage of Market to Book	99.08%	99.18%	99.20%	99.53%	99.84%
Weighted Average Maturity (WAM)	459 days	438 days	480 days	479 days	538 days
Return on Assets:					
Total Earnings Quarter Ended	$ 3,961,615	$ 3,913,202	$ 3,320,178	$ 2,799,864	$ 2,716,365
Total Earnings Fiscal YTD	$ 3,961,615	$ 12,771,916	$ 8,846,802	$ 5,510,932	$ 2,716,365
Rate of Return QTR	1.87%	1.76%	1.60%	1.42%	1.39%
Rate of Return Fiscal YTD	1.87%	1.55%	1.47%	1.40%	1.39%
CAMP	2.12%	1.94%	1.51%	1.22%	1.13%
LAIF	2.16%	1.90%	1.51%	1.20%	1.07%

Merced County

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Summary
September 30, 2018

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Managed Pool Accounts	159,637,692.97	159,637,692.97	159,637,692.97	18.77	1	1	2.093	2.122
Medium Term Notes	180,784,000.00	178,697,763.84	180,133,914.53	21.17	1,125	555	2.082	2.110
Commercial Paper Disc. -Amortizing	25,000,000.00	24,837,619.50	24,831,934.24	2.92	269	95	2.630	2.667
Federal Agency Coupon Securities	254,545,000.00	250,383,039.85	253,892,880.43	29.84	1,199	607	1.739	1.763
Treasury Coupon Securities	73,025,000.00	71,846,215.70	72,640,834.84	8.54	966	446	1.664	1.687
Supranational - IBRD, IFC, IADB	141,220,000.00	138,880,350.65	140,734,703.10	16.54	1,147	601	1.739	1.764
Municipal Bonds	18,765,000.00	18,532,576.00	18,839,049.77	2.21	1,282	883	2.370	2.403
Investments	**852,976,692.97**	**842,815,258.51**	**850,711,009.88**	**100.00%**	**905**	**459**	**1.912**	**1.938**
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	8,172,270.08	8,172,270.08	8,172,270.08		1	1	0.096	0.097
Accrued Interest at Purchase		46,164.05	46,164.05					
Subtotal		8,218,434.13	8,218,434.13					
Total Cash and Investments	**861,148,963.05**	**851,033,692.64**	**858,929,444.01**		**905**	**459**	**1.912**	**1.938**

Total Earnings	September 30 Month Ending	Fiscal Year To Date
Current Year	1,296,060.87	3,971,249.57
Average Daily Balance	**816,410,139.71**	**838,734,433.95**
Effective Rate of Return	**1.93%**	**1.88%**

I hereby certify that this report includes all investments in the investment pool and is in accordance with the investment policy. I further certify that the investments meet the County's cash flow needs for the next six months.

KAREN D. ADAMS, CPA, TREASURER

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Details - Investments
September 30, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Managed Pool Accounts												
CAMP	1001C	California Asset Mgt Program			139,527,971.50	139,527,971.50	139,527,971.50	2.140	AAA	2.140	1	
LAIF	1001A	Local Agency Investment Fund			10,093,474.01	10,093,474.01	10,093,474.01	2.000		2.000	1	
LAIF	1001B	Local Agency Investment Fund			10,016,247.46	10,016,247.46	10,016,247.46	2.000		2.000	1	
PREMIER FUND	1001G	Merrill Lynch Institutional Fu			0.00	0.00	0.00	0.180	AAA	0.180	1	
UBS FINANCIAL	1001H	UBS Finance			0.00	0.00	0.00	0.320	AAA	0.320	1	
		Subtotal and Average	**117,065,664.78**		**159,637,692.97**	**159,637,692.97**	**159,637,692.97**			**2.122**	**1**	
Medium Term Notes												
037833BQ2	2088	Apple Inc		02/25/2016	5,000,000.00	4,986,600.00	5,003,960.31	1.700	AAA	1.492	144	02/22/2019
037833AQ3	2129	Apple Inc		07/29/2016	5,000,000.00	4,987,300.00	5,029,079.99	2.100	AAA	1.108	217	05/06/2019
037833CB4	2173	Apple Inc		01/10/2017	5,000,000.00	4,935,400.00	4,980,803.90	1.100	AAA	1.570	305	08/02/2019
037833AK6	2260	Apple Inc		06/04/2018	5,000,000.00	4,807,100.00	4,855,951.95	2.400	AAA	3.081	1,675	05/03/2023
084664CG4	2181	Berkshire Hathaway Fin		01/30/2017	5,000,000.00	4,982,800.00	5,000,953.99	1.700	AA	1.657	165	03/15/2019
084664CG4	2249	Berkshire Hathaway Fin		03/05/2018	9,994,000.00	9,959,620.64	9,964,143.33	1.700	AA	2.367	165	03/15/2019
084670BR8	2254	Berkshire Hathaway Fin		04/02/2018	5,000,000.00	4,883,250.00	4,941,750.42	2.750	AA	3.033	1,626	03/15/2023
191216BF6	1923	Coca-Cola Company		01/24/2014	10,000,000.00	9,993,900.00	9,999,121.14	1.650	AA	1.760	31	11/01/2018
166764AR1	2198	Chevron Corp		05/15/2017	5,000,000.00	4,935,800.00	5,001,066.67	1.961	AA	1.945	519	03/03/2020
166764BH2	2236	Chevron Corp		01/10/2018	5,000,000.00	4,968,800.00	4,984,976.85	1.561	AA	2.050	227	05/16/2019
166764AT7	2270	Chevron Corp		09/13/2018	5,000,000.00	4,864,400.00	4,885,818.24	2.411	AA	3.120	1,249	03/03/2022
17275RAX0	2246	CISCO Systems Inc		02/09/2018	5,000,000.00	4,960,350.00	4,997,459.81	2.450	AA	2.480	623	06/15/2020
30231GAD4	1976	Exxon		10/24/2014	5,000,000.00	4,982,800.00	5,007,899.18	1.819	AA	1.460	165	03/15/2019
30231GAD4	2011	Exxon		04/06/2015	5,000,000.00	4,982,800.00	5,010,592.39	1.819	AA	1.336	165	03/15/2019
30231GAV4	2235	Exxon		01/10/2018	5,000,000.00	4,900,650.00	4,991,846.15	2.222	AA	2.292	882	03/01/2021
30231GAV4	2248	Exxon		02/15/2018	5,000,000.00	4,900,650.00	4,946,021.90	2.222	AA	2.690	882	03/01/2021
459200GM7	2157	International Business Machine		12/08/2016	5,000,000.00	5,008,750.00	5,011,470.76	7.625	AA	1.612	14	10/15/2018
44932HAG8	2264	International Business Machine		08/06/2018	5,000,000.00	4,943,650.00	4,955,171.30	2.650	AA	3.050	858	02/05/2021
478160BR4	2128	Johnson & Johnson		07/29/2016	11,500,000.00	11,438,015.00	11,505,404.51	1.125	AAA	1.010	151	03/01/2019
46625HHS2	2250	JP Morgan Chase		03/29/2018	5,000,000.00	5,105,400.00	5,123,010.08	4.400	A	2.980	660	07/22/2020
594918BN3	2139	Microsoft Corp		10/27/2016	5,000,000.00	4,935,900.00	4,995,603.55	1.100	AAA	1.205	311	08/08/2019
594918BP8	2175	Microsoft Corp		01/10/2017	5,000,000.00	4,799,150.00	4,925,530.04	1.550	AAA	2.100	1,042	08/08/2021
594918BV5	2183	Microsoft Corp		02/06/2017	5,000,000.00	4,939,350.00	5,000,134.72	1.850	AAA	1.847	493	02/06/2020
594918BH6	2253	Microsoft Corp		04/02/2018	5,000,000.00	4,898,000.00	4,956,758.33	2.650	AAA	2.877	1,494	11/03/2022
594918BA1	2258	Microsoft Corp		04/27/2018	5,000,000.00	4,881,800.00	4,887,993.59	2.375	AAA	3.085	1,230	02/12/2022
2205	2205	Mosquito Abatement Depot Note		07/03/2017	500,000.00	500,000.00	500,000.00	4.000		4.000	1,368	06/30/2022
69353RDD7	2251	PNC Bank NA		03/29/2018	5,000,000.00	4,980,600.00	4,982,531.57	2.250	A	2.724	274	07/02/2019
742718DY2	2269	Procter & Gamble		08/09/2018	5,000,000.00	4,863,700.00	4,885,491.45	2.300	AA	3.026	1,224	02/06/2022
89236TCU7	2086	Toyota Mtr Credit		02/19/2016	1,300,000.00	1,295,567.00	1,299,980.07	1.700	AA	1.226	141	02/19/2019
89236TDP7	2174	Toyota Mtr Credit		01/10/2017	5,000,000.00	4,892,300.00	5,018,705.72	2.600	AA	2.478	1,198	01/11/2022

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Details - Investments
September 30, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Medium Term Notes												
89236TDZ5	2204	Toyota Mtr Credit		06/29/2017	5,000,000.00	4,771,350.00	5,000,000.00	2.000	AA	2.000	820	12/29/2020
91159HHE3	2064	US Bank		12/14/2015	5,000,000.00	4,996,950.00	5,002,139.30	1.950	AA	1.894	45	11/15/2018
90331HNJ8	2252	US Bank		03/29/2018	5,000,000.00	4,958,750.00	4,975,930.89	2.350	AA	2.728	479	01/23/2020
94974BFQ8	2037	Wells Fargo		10/06/2015	2,490,000.00	2,487,211.20	2,492,047.08	2.150	A	1.855	106	01/15/2019
94988J5D5	2126	Wells Fargo		07/21/2016	5,000,000.00	4,969,100.00	5,014,565.35	1.750	A	1.290	235	05/24/2019
		Subtotal and Average	**178,185,811.70**		**180,784,000.00**	**178,697,763.84**	**180,133,914.53**			**2.110**	**555**	
Commercial Paper Disc. -Amortizing												
2254EBN49	2255	Credit Suisse FB USA Inc		04/10/2018	25,000,000.00	24,837,619.50	24,831,934.24	2.550	A-1	2.667	95	01/04/2019
		Subtotal and Average	**25,806,254.69**		**25,000,000.00**	**24,837,619.50**	**24,831,934.24**			**2.667**	**95**	
Federal Agency Coupon Securities												
3133EFRH2	2054	Federal Farm Credit Bank		11/30/2015	5,000,000.00	4,992,850.00	5,000,000.00	1.340	AAA	1.340	60	11/30/2018
3133EFRH2	2061	Federal Farm Credit Bank		12/10/2015	5,000,000.00	4,992,850.00	5,000,000.00	1.340	AAA	1.339	60	11/30/2018
3133EFGN1	2068	Federal Farm Credit Bank		12/21/2015	5,000,000.00	4,983,700.00	4,998,248.18	1.200	AAA	1.335	98	01/07/2019
3133EGFN0	2123	Federal Farm Credit Bank		06/15/2016	5,000,000.00	4,882,950.00	5,000,000.00	1.400	AAA	1.400	623	06/15/2020
3133EGD69	2148	Federal Farm Credit Bank		11/16/2016	5,000,000.00	4,884,650.00	4,989,640.29	1.320	AAA	1.453	584	05/07/2020
3133EGU52	2161	Federal Farm Credit Bank		12/13/2016	5,000,000.00	4,947,750.00	5,000,000.00	1.490	AAA	1.490	347	09/13/2019
3133EGU60	2162	Federal Farm Credit Bank		12/14/2016	5,000,000.00	4,903,900.00	5,000,000.00	1.820	AAA	1.820	714	09/14/2020
3133EGU86	2171	Federal Farm Credit Bank		12/19/2016	5,000,000.00	4,929,300.00	4,998,377.78	1.500	AAA	1.527	444	12/19/2019
3133EHSB0	2212	Federal Farm Credit Bank		08/09/2017	5,000,000.00	4,808,650.00	5,000,000.00	2.100	AAA	2.100	1,393	07/25/2022
3133EGJX4	2223	Federal Farm Credit Bank		12/01/2017	5,000,000.00	4,944,300.00	4,973,745.64	1.080	AAA	1.782	277	07/05/2019
3133EGLC7	2233	Federal Farm Credit Bank		12/29/2017	5,000,000.00	4,943,750.00	4,970,426.40	1.080	AAA	1.852	284	07/12/2019
3133EJWK1	2265	Federal Farm Credit Bank		08/08/2018	5,000,000.00	4,971,800.00	5,000,000.00	3.120	AAA	3.120	1,407	08/08/2022
3133EJVG1	2266	Federal Farm Credit Bank		08/07/2018	5,000,000.00	4,940,950.00	4,992,726.51	3.220	AAA	3.253	1,758	07/25/2023
3133EJWQ8	2268	Federal Farm Credit Bank		08/14/2018	5,000,000.00	4,966,200.00	5,000,000.00	3.240	AAA	3.240	1,778	08/14/2023
3130A7R72	2102	Federal Home Loan Bank		04/29/2016	5,000,000.00	4,965,750.00	5,000,000.00	1.250	AAA	1.250	210	04/29/2019
3130A8FB4	2122	Federal Home Loan Bank		06/13/2016	5,000,000.00	4,918,400.00	5,000,000.00	1.350	AAA	1.350	438	12/13/2019
3130A8QD8	2142	Federal Home Loan Bank		11/16/2016	4,545,000.00	4,419,239.85	4,526,984.23	1.230	AAA	1.459	652	07/14/2020
3130AAEX2	2164	Federal Home Loan Bank		12/28/2016	5,000,000.00	4,839,650.00	5,000,000.00	2.150	AAA	2.150	1,184	12/28/2021
3130AAKW7	2176	Federal Home Loan Bank		01/10/2017	5,000,000.00	4,850,200.00	4,996,561.25	1.950	AAA	1.972	1,197	01/10/2022
3130A8QS5	2218	Federal Home Loan Bank		11/30/2017	5,000,000.00	4,767,750.00	4,892,315.95	1.125	AAA	1.929	1,017	07/14/2021
3130ACN83	2232	Federal Home Loan Bank		12/29/2017	5,000,000.00	4,912,050.00	4,975,916.82	1.700	AAA	2.005	592	05/15/2020
3134G8WZ8	2099	Federal Home Loan Mtg Corp		04/26/2016	5,000,000.00	4,996,250.00	5,000,000.00	1.125	AAA	1.125	25	10/26/2018
3134G8YU7	2100	Federal Home Loan Mtg Corp		04/26/2016	5,000,000.00	4,995,800.00	5,000,000.00	1.050	AAA	1.050	25	10/26/2018
3134GAZB3	2145	Federal Home Loan Mtg Corp		11/30/2016	5,000,000.00	4,916,800.00	5,000,000.00	1.500	AAA	2.132	1,150	11/24/2021
3134GAYV0	2147	Federal Home Loan Mtg Corp		12/30/2016	5,000,000.00	4,835,900.00	5,000,000.00	2.000	AAA	2.000	1,186	12/30/2021
3134GAYX6	2152	Federal Home Loan Mtg Corp		11/30/2016	5,000,000.00	4,813,650.00	5,000,000.00	1.875	AAA	1.875	1,152	11/26/2021

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Federal Agency Coupon Securities												
3134GAK78	2177	Federal Home Loan Mtg Corp		01/25/2017	5,000,000.00	4,984,550.00	5,000,000.00	1.350	AAA	1.350	116	01/25/2019
3134GBEB4	2185	Federal Home Loan Mtg Corp		04/06/2017	5,000,000.00	4,922,550.00	5,000,000.00	1.700	AAA	1.700	543	03/27/2020
3134GBEU2	2186	Federal Home Loan Mtg Corp		04/07/2017	5,000,000.00	4,989,600.00	5,000,000.00	2.000	AAA	1.718	543	03/27/2020
3134GBTJ1	2220	Federal Home Loan Mtg Corp		11/30/2017	5,000,000.00	4,865,950.00	4,970,309.28	1.830	AAA	2.062	974	06/01/2021
3134GBR95	2226	Federal Home Loan Mtg Corp		12/12/2017	5,000,000.00	4,942,900.00	4,988,094.76	1.625	AAA	1.850	394	10/30/2019
3134G9NB9	2229	Federal Home Loan Mtg Corp		12/29/2017	5,000,000.00	4,958,600.00	4,982,698.02	1.230	AAA	1.773	235	05/24/2019
3134GBGG1	2230	Federal Home Loan Mtg Corp		12/29/2017	5,000,000.00	4,955,800.00	4,987,643.30	1.500	AAA	1.807	298	07/26/2019
3134GSSU0	2267	Federal Home Loan Mtg Corp		08/07/2018	5,000,000.00	4,972,950.00	4,994,064.54	2.850	AAA	2.894	1,033	07/30/2021
3135G0G72	2053	Federal National Mortgage Assn		11/27/2015	10,000,000.00	9,977,400.00	9,996,233.55	1.125	AAA	1.315	74	12/14/2018
3135G0N33	2131	Federal National Mortgage Assn		08/12/2016	5,000,000.00	4,929,850.00	4,996,779.02	0.875	AAA	0.953	305	08/02/2019
3136G4HF3	2144	Federal National Mortgage Assn		11/29/2016	5,000,000.00	4,923,350.00	5,000,000.00	1.350	AAA	1.350	424	11/29/2019
3136G4HH9	2146	Federal National Mortgage Assn		11/30/2016	5,000,000.00	4,915,200.00	5,000,000.00	1.500	AAA	1.500	513	02/26/2020
3135G0Q89	2149	Federal National Mortgage Assn		11/17/2016	5,000,000.00	4,776,750.00	4,948,137.33	1.375	AAA	1.735	1,102	10/07/2021
3135G0R39	2150	Federal National Mortgage Assn		11/17/2016	5,000,000.00	4,912,450.00	4,983,350.19	1.000	AAA	1.320	388	10/24/2019
3135G0K69	2163	Federal National Mortgage Assn		12/09/2016	10,000,000.00	9,593,700.00	9,860,781.03	1.250	AAA	1.810	948	05/06/2021
3135G0S46	2191	Federal National Mortgage Assn		04/11/2017	5,000,000.00	4,928,900.00	4,998,675.15	1.650	AAA	1.670	483	01/27/2020
3135G0T60	2222	Federal National Mortgage Assn		12/01/2017	5,000,000.00	4,886,200.00	4,966,191.03	1.500	AAA	1.880	668	07/30/2020
3135G0J53	2224	Federal National Mortgage Assn		12/11/2017	5,000,000.00	4,973,650.00	4,985,300.00	1.000	AAA	1.740	148	02/26/2019
3136G04T5	2234	Federal National Mortgage Assn		12/29/2017	5,000,000.00	4,899,100.00	4,962,258.42	1.500	AAA	1.979	591	05/14/2020
3132X0SA0	2194	Farmer Mac		04/19/2017	5,000,000.00	4,923,150.00	4,999,329.50	1.640	AAA	1.649	564	04/17/2020
742651DQ2	2059	Private Export Funding		12/11/2015	10,000,000.00	9,883,600.00	9,954,773.56	1.450	AAA	1.990	318	08/15/2019
742651DQ2	2151	Private Export Funding		11/21/2016	5,000,000.00	4,941,800.00	5,003,318.70	1.450	AAA	1.372	318	08/15/2019
		Subtotal and Average	**253,874,530.30**		**254,545,000.00**	**250,383,039.85**	**253,892,880.43**			**1.763**	**607**	
Treasury Coupon Securities												
912828A34	2043	US Treasury Notes		11/09/2015	3,650,000.00	3,644,525.00	3,650,398.25	1.250	AAA	1.182	60	11/30/2018
912828A34	2047	US Treasury Notes		11/16/2015	570,000.00	569,145.00	570,066.20	1.250	AAA	1.178	60	11/30/2018
912828A75	2056	US Treasury Notes		12/04/2015	4,940,000.00	4,931,009.20	4,943,393.19	1.500	AAA	1.218	91	12/31/2018
912828C65	2090	US Treasury Notes		03/04/2016	3,900,000.00	3,884,634.00	3,910,911.72	1.625	AAA	1.050	181	03/31/2019
912828A34	2112	US Treasury Notes		05/06/2016	4,965,000.00	4,957,552.50	4,968,349.59	1.250	AAA	0.834	60	11/30/2018
912828M98	2170	US Treasury Notes		12/14/2016	5,000,000.00	4,872,450.00	4,988,255.61	1.625	AAA	1.738	791	11/30/2020
912828L99	2188	US Treasury Notes		04/10/2017	5,000,000.00	4,852,950.00	4,971,645.43	1.375	AAA	1.657	761	10/31/2020
912828S76	2189	US Treasury Notes		04/11/2017	5,000,000.00	4,762,300.00	4,907,502.39	1.125	AAA	1.807	1,034	07/31/2021
912828P87	2190	US Treasury Notes		04/11/2017	5,000,000.00	4,798,650.00	4,930,272.14	1.125	AAA	1.725	881	02/28/2021
912828U99	2225	US Treasury Notes		12/12/2017	5,000,000.00	4,987,850.00	4,994,677.23	1.250	AAA	1.683	91	12/31/2018
912828WS5	2231	US Treasury Notes		12/29/2017	5,000,000.00	4,966,400.00	4,993,795.62	1.625	AAA	1.794	272	06/30/2019
912828XM7	2238	US Treasury Notes		01/25/2018	5,000,000.00	4,894,150.00	4,953,598.60	1.625	AAA	2.148	669	07/31/2020
912828N89	2239	US Treasury Notes		01/25/2018	5,000,000.00	4,833,400.00	4,905,063.11	1.375	AAA	2.220	853	01/31/2021

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Details - Investments
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Treasury Coupon Securities												
912828V56	2243	US Treasury Notes		02/02/2018	5,000,000.00	4,980,250.00	4,987,430.30	1.125	AAA	1.887	122	01/31/2019
912828XS4	2244	US Treasury Notes		02/02/2018	5,000,000.00	4,958,600.00	4,975,143.96	1.250	AAA	2.013	242	05/31/2019
9128283S7	2245	US Treasury Notes		02/02/2018	5,000,000.00	4,952,350.00	4,990,331.50	2.000	AAA	2.149	487	01/31/2020
		Subtotal and Average	**77,465,217.81**		**73,025,000.00**	**71,846,215.70**	**72,640,834.84**			**1.687**	**446**	
Supranational - IBRD, IFC, IADB												
458182DX7	2096	Inter-American Development Bk		04/12/2016	1,385,000.00	1,371,316.20	1,384,169.75	1.000	AAA	1.099	224	05/13/2019
4581X0CR7	2178	Inter-American Development Bk		01/12/2017	5,000,000.00	4,924,500.00	4,981,676.64	1.250	AAA	1.612	379	10/15/2019
4581X0CW6	2179	Inter-American Development Bk		01/18/2017	5,000,000.00	4,857,550.00	4,995,944.42	2.125	AAA	2.151	1,205	01/18/2022
4581X0CP1	2184	Inter-American Development Bk		03/13/2017	5,000,000.00	4,915,900.00	5,002,280.69	1.875	AAA	1.847	624	06/16/2020
4581X0CX4	2193	Inter-American Development Bk		04/13/2017	5,000,000.00	4,902,150.00	4,997,904.42	1.625	AAA	1.652	589	05/12/2020
458182DX7	2221	Inter-American Development Bk		12/04/2017	5,000,000.00	4,950,600.00	4,976,046.24	1.000	AAA	1.790	224	05/13/2019
4581X0CS5	2228	Inter-American Development Bk		12/13/2017	5,000,000.00	4,871,700.00	4,976,881.74	1.875	AAA	2.070	896	03/15/2021
4581X0CX4	2262	Inter-American Development Bk		08/07/2018	5,000,000.00	4,902,150.00	4,915,777.87	1.625	AAA	2.700	589	05/12/2020
45905UVC5	2085	Intl Bnk for Recons & Dev		02/26/2016	5,000,000.00	4,978,900.00	5,000,000.00	1.350	AAA	1.350	148	02/26/2019
45905UVC5	2093	Intl Bnk for Recons & Dev		03/24/2016	5,000,000.00	4,978,900.00	5,000,000.00	1.350	AAA	1.350	148	02/26/2019
459058FC2	2098	Intl Bnk for Recons & Dev		04/26/2016	5,000,000.00	4,962,700.00	5,000,000.00	1.250	AAA	1.250	207	04/26/2019
459058FD0	2101	Intl Bnk for Recons & Dev		04/28/2016	10,000,000.00	10,000,000.00	10,000,000.00	1.500	AAA	1.400	940	04/28/2021
459058FB4	2107	Intl Bnk for Recons & Dev		04/29/2016	5,000,000.00	4,965,350.00	5,000,000.00	1.300	AAA	1.300	207	04/26/2019
459058FS7	2143	Intl Bnk for Recons & Dev		11/18/2016	5,000,000.00	4,904,600.00	4,982,599.82	1.126	AAA	1.435	422	11/27/2019
45905UB37	2165	Intl Bnk for Recons & Dev		12/16/2016	5,000,000.00	4,833,150.00	4,995,188.99	2.000	AAA	2.032	1,171	12/15/2021
459058FQ1	2180	Intl Bnk for Recons & Dev		01/23/2017	10,000,000.00	9,844,300.00	9,975,868.67	1.200	AAA	1.447	364	09/30/2019
459058FA6	2187	Intl Bnk for Recons & Dev		04/11/2017	5,000,000.00	4,893,350.00	4,987,067.03	1.376	AAA	1.553	546	03/30/2020
459058FM0	2209	Intl Bnk for Recons & Dev		07/12/2017	5,000,000.00	4,840,300.00	4,946,081.50	1.126	AAA	1.724	679	08/10/2020
45905UP73	2216	Intl Bnk for Recons & Dev		10/16/2017	5,000,000.00	4,895,000.00	5,000,000.00	1.950	AAA	1.950	746	10/16/2020
459058FH1	2219	Intl Bnk for Recons & Dev		11/30/2017	5,000,000.00	4,800,650.00	4,913,819.62	1.376	AAA	2.054	966	05/24/2021
459058DT7	2261	Intl Bnk for Recons & Dev		06/06/2018	5,000,000.00	4,905,650.00	4,936,167.67	2.250	AAA	2.740	997	06/24/2021
459058GH0	2263	Intl Bnk for Recons & Dev		08/06/2018	5,000,000.00	4,969,150.00	4,985,251.55	2.750	AAA	2.860	1,026	07/23/2021
45950VHE9	2172	Intl Fin Corp		12/16/2016	5,000,000.00	4,991,300.00	4,999,748.36	1.250	AAA	1.283	57	11/27/2018
45950KCG3	2192	Intl Fin Corp		04/13/2017	5,000,000.00	4,888,350.00	4,994,336.32	1.625	AAA	1.690	654	07/16/2020
45950KCL2	2203	Intl Fin Corp		06/07/2017	5,000,000.00	4,917,450.00	5,014,898.32	1.750	AAA	1.546	546	03/30/2020
45950KCG3	2210	Intl Fin Corp		07/13/2017	5,000,000.00	4,888,350.00	4,994,967.45	1.625	AAA	1.684	654	07/16/2020
45950KCG3	2242	Intl Fin Corp		02/02/2018	4,835,000.00	4,727,034.45	4,778,026.03	1.625	AAA	2.305	654	07/16/2020
		Subtotal and Average	**140,723,036.77**		**141,220,000.00**	**138,880,350.65**	**140,734,703.10**			**1.764**	**601**	
Municipal Bonds												
91412GTB1	2159	University of California		12/09/2016	1,275,000.00	1,278,034.50	1,297,336.78	3.016	AA	1.895	592	05/15/2020
13063DAD0	2195	State of California		04/27/2017	2,000,000.00	1,951,340.00	2,000,000.00	2.367	AA	2.367	1,278	04/01/2022

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Details - Investments
September 30, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Municipal Bonds												
13063DAC2	2196	State of California		04/27/2017	4,000,000.00	3,970,000.00	4,038,826.03	2.625	AA	2.218	913	04/01/2021
13063DAD0	2197	State of California		04/27/2017	3,150,000.00	3,073,360.50	3,161,902.53	2.367	AA	2.252	1,278	04/01/2022
13034PZE0	2214	State of California		09/27/2017	3,340,000.00	3,293,741.00	3,352,859.79	2.150	AA	1.853	488	02/01/2020
749845UL5	2259	Racine CO BANS		05/31/2018	5,000,000.00	4,966,100.00	4,988,124.64	3.050	AA	3.165	792	12/01/2020
		Subtotal and Average	**18,840,527.36**		**18,765,000.00**	**18,532,576.00**	**18,839,049.77**			**2.403**	**883**	
		Total and Average	**816,410,139.71**		**852,976,692.97**	**842,815,258.51**	**850,711,009.88**			**1.938**	**459**	

MERCED COUNTY TREASURY
Portfolio Management
Portfolio Details - Cash
September 30, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
Passbook/Checking Accounts											
WF FUND SWEEP	1001W	Wells Fargo Fund Sweep			8,172,270.08	8,172,270.08	8,172,270.08	0.097		0.097	1
		Average Balance	**0.00**	Accrued Interest at Purchase		46,164.05	46,164.05				**1**
				Subtotal		8,218,434.13	8,218,434.13				
		Total Cash and Investments	**816,410,139.71**		**861,148,963.05**	**851,033,692.64**	**858,929,444.01**			**1.938**	**459**

MERCED COUNTY TREASURY
Purchases Report
Sorted by Fund - Fund
July 1, 2018 - September 30, 2018

Merced County

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment	Principal Purchase	Accrued at Purchase	Rate at Purchas	Maturity Date	YTM	Ending Book Value
Interest Apportionment Fund													
44932HAG8	2264	2070	MTN	IBM	5,000,000.00	08/06/2018	02/06 - 08/06	4,952,250.00		2.650	02/05/2021	3.050	4,955,171.30
459058GH0	2263	2070	MC1	IBRD	5,000,000.00	08/06/2018	01/23 - 07/23	4,984,450.00	4,202.25	2.750	07/23/2021	2.860	4,985,251.55
3133EJVG1	2266	2070	FAC	FFCB	5,000,000.00	08/07/2018	01/25 - 07/25	4,992,500.00	5,366.67	3.220	07/25/2023	3.253	4,992,726.51
3134GSSU0	2267	2070	FAC	FHLMC	5,000,000.00	08/07/2018	01/30 - 07/30	4,993,750.00	2,770.83	2.850	07/30/2021	2.894	4,994,064.54
4581X0CX4	2262	2070	MC1	IADB	5,000,000.00	08/07/2018	11/12 - 05/12	4,907,950.00	19,184.03	1.625	05/12/2020	2.700	4,915,777.87
3133EJWK1	2265	2070	FAC	FFCB	5,000,000.00	08/08/2018	02/08 - 08/08	5,000,000.00		3.120	08/08/2022	3.120	5,000,000.00
742718DY2	2269	2070	MTN	PR&G	5,000,000.00	08/09/2018	02/06 - 08/06	4,880,550.00	958.33	2.300	02/06/2022	3.026	4,885,491.45
3133EJWQ8	2268	2070	FAC	FFCB	5,000,000.00	08/14/2018	02/14 - 08/14	5,000,000.00		3.240	08/14/2023	3.240	5,000,000.00
166764AT7	2270	2070	MTN	CHEV	5,000,000.00	09/13/2018	03/03 - 09/03	4,884,150.00	3,348.61	2.411	03/03/2022	3.120	4,885,818.24
				Subtotal	**45,000,000.00**			**44,595,600.00**	**35,830.72**				**44,614,301.46**
				Total Purchases	**45,000,000.00**			**44,595,600.00**	**35,830.72**				**44,614,301.46**

Merced County

MERCED COUNTY TREASURY
Maturity Report
Sorted by Maturity Date
Amounts due during July 1, 2018 - September 30, 2018

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date	Rate at Maturity	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
89233HG65	2217	2070	ACP	TOYOTA	10,005,000.00	07/06/2018	11/29/2017	1.520	10,005,000.00	0.00	10,005,000.00	0.00
89236TCP8	2083	2070	MTN	TOYOTA	6,955,000.00	07/13/2018	02/05/2016	1.550	6,955,000.00	53,901.25	7,008,901.25	53,901.25
742651DS8	1985	2070	FAC	PEFCO	5,000,000.00	07/15/2018	01/02/2015	1.875	5,000,000.00	46,875.00	5,046,875.00	46,875.00
22533UGX5	2256	2070	ACP	CR AGR	25,000,000.00	07/31/2018	04/12/2018	2.260	25,000,000.00	0.00	25,000,000.00	0.00
63873KGX9	2240	2070	ACP	NATIXI	10,000,000.00	07/31/2018	01/30/2018	1.760	10,000,000.00	0.00	10,000,000.00	0.00
24422ETA7	2034	3030	MTN	JDEERE	1,850,000.00	08/10/2018	09/11/2015	1.750	1,850,000.00	16,187.50	1,866,187.50	16,187.50
63873KHA8	2257	2070	ACP	NATIXI	10,000,000.00	08/10/2018	04/12/2018	2.350	10,000,000.00	0.00	10,000,000.00	0.00
3133EGBG9	2120	2070	FAC	FFCB	5,000,000.00	08/23/2018	06/09/2016	1.000	5,000,000.00	25,000.00	5,025,000.00	25,000.00
4581X0BR8	2211	2070	MC1	IADB	5,000,000.00	08/24/2018	07/13/2017	1.750	5,000,000.00	43,750.00	5,043,750.00	43,750.00
46640QJ77	2227	2070	ACP	JP MOR	5,000,000.00	09/07/2018	12/12/2017		5,000,000.00	0.00	5,000,000.00	0.00
912828T42	2206	2070	TRC	USTN	5,000,000.00	09/30/2018	07/10/2017	0.750	5,000,000.00	18,750.00	5,018,750.00	18,750.00
			Total Maturities		**88,810,000.00**				**88,810,000.00**	**204,463.75**	**89,014,463.75**	**204,463.75**

Merced County

MERCED COUNTY TREASURY
Sales/Call Report
Sorted by Maturity Date - Fund
July 1, 2018 - September 30, 2018

CUSIP	Investment #	Fund	Issuer / Sec. Type	Purchase Date	Redem. Date / Matur. Date	Par Value	Rate at Redem.	Book Value at Redem.	Redemption Principal	Redemption Interest	Total Amount	Net Income
01/30/2020												
3130ADFU1	2237	2070	FHLB FAC	01/30/201	07/30/201 01/30/202	5,000,000.00	2.000 V	5,000,000.00	5,000,000.00	25,000.00	5,025,000.00 Call	25,000.00
					Subtotal	**5,000,000.00**		**5,000,000.00**	**5,000,000.00**	**25,000.00**	**5,025,000.00**	**25,000.00**
					Total Sales	**5,000,000.00**		**5,000,000.00**	**5,000,000.00**	**25,000.00**	**5,025,000.00**	**25,000.00**

V - Security with variable rate change.

JOHN CHIANG
TREASURER
STATE OF CALIFORNIA

PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
09/29/18	2.09	2.00	193
09/30/18	2.09	2.00	193
10/01/18	2.11	2.11	205
10/02/18	2.11	2.11	205
10/03/18	2.12	2.11	206
10/04/18	2.12	2.12	206
10/05/18	2.12	2.12	205
10/06/18	2.12	2.12	205
10/07/18	2.12	2.12	205
10/08/18	2.12	2.12	202
10/09/18	2.12	2.12	202
10/10/18	2.13	2.12	202
10/11/18	2.14	2.12	203
10/12/18	2.14	2.12	202
10/13/18	2.14	2.12	202
10/14/18	2.14	2.13	202
10/15/18	2.14	2.13	200
10/16/18	2.15	2.13	198
10/17/18	2.15	2.13	198
10/18/18	2.16	2.13	197
10/19/18	2.16	2.13	197
10/20/18	2.16	2.13	197
10/21/18	2.16	2.13	197
10/22/18	2.16	2.14	199
10/23/18	2.16	2.14	200
10/24/18	2.16	2.14	202
10/25/18	2.16	2.14	200
10/26/18	2.16	2.14	201
10/27/18	2.16	2.14	201
10/28/18	2.16	2.14	201
10/29/18	2.17	2.14	203

*Daily yield does not reflect capital gains or losses

View Prior Month Daily Rates

LAIF Performance Report

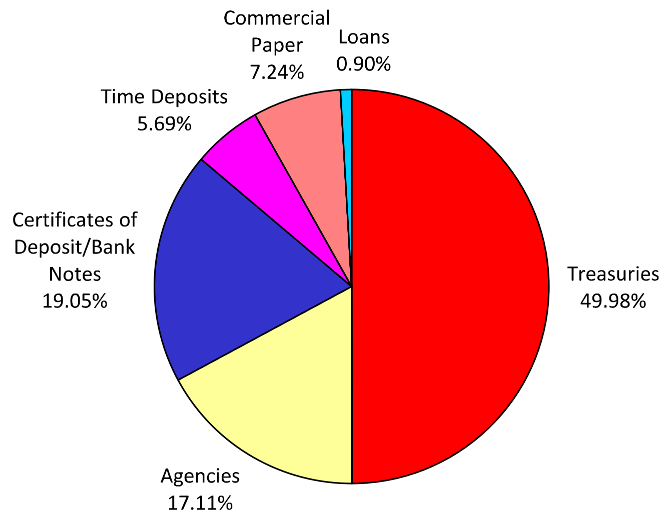
Quarter Ending 09/30/18

Apportionment Rate:	2.16%
Earnings Ratio:	0.00005909460836489
Fair Value Factor:	0.997832404
Daily:	2.09%
Quarter to Date:	2.00%
Average Life:	193

PMIA Average Monthly Effective Yields

Sept 2018	**2.063**
Aug 2018	1.998
July 2018	1.944

Pooled Money Investment Account Portfolio Composition 09/30/18 $88.3 billion



Percentages may not total 100%, due to rounding.

Based on data available as of 10/31/2018

MINUTES
TREASURY OVERSIGHT COMMITTEE MEETING
July 25, 2018
For the Quarter Ending 06/30/2018

Attendees
Lisa Cardella-Presto, C.P.A. – Auditor-Controller
Andre Urquidez –College District Designee
Janet Riley – County Superintendent of Schools Alternate
David W. Ness – Member of the Public
Pat Fogel – Accountant III

Absent
Maureen O'Rourke – Member of the Public
Steve Tietjen - County Superintendent of Schools
Rhiannon Jones – Special District Designee
Jerry O'Banion – Board of Supervisor
Cecilia Belmontes – Member of the Public

Meeting Called to Order

The meeting was called to order at 2:35pm.

Approval of Minutes

Andre Urquidez made a motion to accept the minutes from April 18, 2018. David Ness seconded the motion. The motion was approved.

Public Comments

None

Portfolio Review

The Quarterly Investment Portfolio Composition figures for the Pooled Investments for the Quarter ending June 30, 2018 were: The Book Value of Assets held was $915,444,976. The Market Value of Assets held was $907,952,142. The category showing Assets Maturing within

90 days has a quarterly total of $263,111,938. The percentage of Market to Book Value was 99.18%. The Weighted Average Maturity (WAM) was 438 days.

The Return of Assets figures were: Total Earnings for the Quarter were $3,913,202 and the Total Earnings Fiscal year-to-date were $12,771,916. The rate of return for the quarter was 1.76% and rate for the fiscal year of 1.55%. Karen reviewed the new graphs added to the report along with other changes made.

The meeting adjourned at 3:00pm.

Submitted by,

Pat Fogel

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2019 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2019 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2019 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

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

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the

event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100