This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 6, 2019

NEW ISSUE—FULL BOOK-ENTRY **RATING: Moody's: "Aa3"**
(See "MISCELLANEOUS – Rating")

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

$8,000,000*
VICTOR ELEMENTARY SCHOOL DISTRICT
(San Bernardino County, California)
Election of 2008 General Obligation Bonds, Series C

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

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

The Victor Elementary School District (San Bernardino County, California) Election of 2008 General Obligation Bonds, Series C (the "Bonds"), were authorized at an election of the registered voters of the Victor Elementary School District (the "District") held on November 4, 2008, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of $150,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities, and to pay the costs of issuing the Bonds.

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of San Bernardino County is empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal and Maturity Value of and interest on the Bonds when due.

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

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). Interest on the Current Interest Bonds accrues from the date of the initial execution and delivery of the Bonds (the "Dated Date"), and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2019. The Capital Appreciation Bonds are dated the Dated Date and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2019. The Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) and will not pay interest on a current basis.

Payments of principal and Maturity Value of and interest on the Bonds will be made by U.S. Bank National Association, as the designated Paying Agent, to DTC for subsequent disbursement to DTC Participants (as defined herein) who will remit such payments to the Beneficial Owners of the Bonds.

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

MATURITY SCHEDULE*
(see inside front cover)

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*The Bonds are being offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters are being passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and for the Underwriter by Katten Muchin Rosenman LLP, New York, New York. The Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about May __, 2019.**

HilltopSecurities
A Hilltop Holdings Company.

Dated: May ___, 2019

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* Preliminary, subject to change.

MATURITY SCHEDULE*

$________________
VICTOR ELEMENTARY SCHOOL DISTRICT
(San Bernardino County, California)
Election of 2008 General Obligation Bonds, Series C

Base CUSIP[1]:

$_______________ Current Interest Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[1] Suffix

$_____________ - ___% Current Interest Term Bonds due August 1, 20__; Yield: ___%; CUSIP[1] Suffix: ____

$________________ Capital Appreciation Serial Bonds

Maturity (August 1)	Denominational Amount	Accretion Rate	Yield	Maturity Value	CUSIP[1] Suffix

* Preliminary, subject to change.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

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

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

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

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

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

The District maintains a website and certain social media accounts. However, the information presented there is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

VICTOR ELEMENTARY SCHOOL DISTRICT

Board of Trustees

District Administration

Jan Gonzales, *Superintendent*
Debbie Betts, *Assistant Superintendent, Administrative Services*
Denise Gleason, *Director, Fiscal Services*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

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

Municipal Advisor

Piper Jaffray & Co.
El Segundo, California

Paying Agent, Registrar, and Transfer Agent

U.S. Bank National Association
Los Angeles, California

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$8,000,000[*]
VICTOR ELEMENTARY SCHOOL DISTRICT
(San Bernardino County, California)
Election of 2008 General Obligation Bonds, Series C

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of Victor Elementary School District (San Bernardino County, California) Election of 2008 General Obligation Bonds, Series C (the "Bonds").

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

The District

The Victor Elementary School District (the "District") was formed in 1896. The District provides public education within a 44 square mile area of San Bernardino County (the "County"), including all of the City of Victorville and approximately seven square miles of unincorporated areas of the County. The District currently operates 15 elementary schools and 2 charter schools. For fiscal year 2018-19, the District's projected average daily attendance ("ADA") is 11,611 students, and taxable property within the District has an assessed valuation of $7,059,417,149.

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected to a four-year term by voters within five trustee areas. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other personnel. Ms. Jan Gonzales is currently the District's Superintendent.

See "VICTOR ELEMENTARY SCHOOL DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein for information regarding the District generally and "TAX BASE FOR REPAYMENT OF BONDS" herein for information regarding the District's assessed valuation. The audited financial statements of the District for fiscal year ending June 30, 2018 are attached hereto as APPENDIX B, and should be read in their entirety.

Purpose of the Bonds

The Bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities, and to pay the costs of issuing the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" herein.

[*] Preliminary, subject to change.

Authority for Issuance of the Bonds

The Bonds are being issued pursuant to certain provisions of the Government Code of the State of California and the Constitution of the State of California, and a resolution adopted by the Board on March 13, 2019 (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

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

Description of the Bonds

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

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

Current Interest and Capital Appreciation Bonds. The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds").

The Current Interest Bonds will bear periodic interest as further described herein. The Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) and will not bear interest on a current basis. The maturity value of each Capital Appreciation Bond is equal to its Accreted Value (defined herein) upon the maturity thereof (the "Maturity Value"), comprising its initial principal amount (the "Denominational Amount") and the interest accreting thereon between the Dated Date (defined herein) and its respective maturity date.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or Maturity Value, as applicable, or any integral multiple thereof.

Redemption.* Certain of the Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as further described herein. See "THE BONDS – Redemption" herein.

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* Preliminary, subject to change.

Payments. The Bonds will be dated as of the date of their initial execution and issuance (the "Dated Date"). Interest on the Current Interest Bonds accrues from the Dated Date, and is payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing August 1, 2019. Principal of the Current Interest Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

The Capital Appreciation Bonds will accrete in value from their Denominational Amounts on the Dated Date to their respective Maturity Values, at the Accretion Rates (defined herein) per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2019. The Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) according to the amounts set forth in the Accreted Values table as shown in APPENDIX D hereto.

Payments of the principal and Accreted Value of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, registrar and transfer agent for the Bonds (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (as defined herein) to the Beneficial Owners of the Bonds.

Tax Matters

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

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available in book-entry form for delivery through the facilities of DTC in New York, New York, on or about May __, 2019.*

Continuing Disclosure

The District will covenant for the benefit of Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events in compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"). These covenants have been made in order to assist Hilltop Securities Inc. (the "Underwriter") in complying with the Rule. The specific nature of the information to be made available and of the notices of listed events required to be provided are summarized in APPENDIX C attached hereto.

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or

* Preliminary, subject to change.

amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the taxation of property within the District, and certain other considerations, see "TAX BASE FOR REPAYMENT OF BONDS" and "LIMITATION ON REMEDIES; BANKRUPTCY" herein.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Piper Jaffray & Co., El Segundo, California, is acting as municipal advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation and Piper Jaffray & Co. will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed upon for the Underwriter by Katten Muchin Rosenman LLP, New York, New York. U.S. Bank National Association, Los Angeles, California, has been appointed as Paying Agent for the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the District or the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend," or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

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 THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Victor Elementary School District, 12219 2nd Avenue, Victorville, California 92395, telephone: (760) 245-1691. The District may impose a charge for copying, mailing and handling.

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

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

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Act"), Article XIIIA of the State Constitution and pursuant to the Resolution. The District received authorization at an election held on November 4, 2008 by more than fifty-five percent of the votes cast by eligible voters within the District to issue $150,000,000 aggregate principal amount of general obligation bonds (the "2008 Authorization"). The District has issued two prior series of bonds under the 2008 Authorization. The Bonds are the third series of bonds issued under the 2008 Authorization, and following the issuance thereof, $105,503,379.10[*] of the 2008 Authorization will remain.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal and Maturity Value of and interest on the Bonds when due.

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

[*] Preliminary, subject to change.

Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, the Bonds are not a debt of the County.

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

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

Statutory Lien

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

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

General Provisions

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

Current Interest Bonds. Interest on the Current Interest Bonds accrues from the Dated Date, and is payable on each Bond Payment Date, commencing August 1, 2019. Interest on the Current Interest Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to and including such Bond Payment Date, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2019, in which event it will bear interest from the Dated Date. The Current Interest Bonds are issuable in denominations of $5,000 principal amount, or any integral multiple thereof, and mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Capital Appreciation Bonds. Interest on each Capital Appreciation Bond is represented by the amount each such Bond accretes in value from its respective Denominational Amount on the Dated Date to the date for which the Accreted Value is calculated. The value of a Capital Appreciation Bond as of any date (the "Accreted Value") is calculated by discounting, on a 30-day month, 360-day year basis, its Maturity Value on the basis of a constant rate (the "Accretion Rate") compounded semiannually on February 1 and August 1 of each year to the date for which an Accreted Value is calculated, and if the date for which the Accreted Value is calculated is between February 1 and August 1, by pro-rating such Accreted Values to the closest prior or subsequent February 1 and August 1.

The Capital Appreciation Bonds will not pay interest on a periodic basis. The Capital Appreciation Bonds accrete in value from their Dated Date at the Accretion Rates per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2019. The Maturity Value of a Capital Appreciation Bond is equal to the Accreted Value thereof at its maturity date.

See also the maturity schedule on the inside cover page hereof, "—Annual Debt Service" herein, and "APPENDIX D – ACCRETED VALUES TABLE" attached hereto.

Payments. Payment of interest on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal and Accreted Value of and redemption premiums, if any, payable on the Bonds will be payable upon maturity upon surrender at the designated office of the Paying Agent. The principal and Accreted Value of, and interest, and redemption premiums, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal and Accreted Value of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds. See "—Book-Entry Only System."

Annual Debt Service

The following table shows the annual debt service requirements for the Bonds(assuming no optional redemptions), together with the total debt service for prior outstanding bond issues of the District.

		Current Interest Bonds		Capital Appreciation Bonds		
Year Ending August 1	Prior Outstanding Bond Debt Service	Annual Principal Payment	Annual Interest Payment[1]	Annual Principal Payment[2]	Accreted Interest Payment[2]	Total Annual Debt Service
2019	$8,108,150.00					
2020	9,908,750.00					
2021	4,947,300.00					
2022	5,215,050.00					
2023	5,505,350.00					
2024	5,787,150.00					
2025	6,139,750.00					
2026	6,437,350.00					
2027	6,194,750.00					
2028	6,517,150.00					
2029	6,854,350.00					
2030	5,063,150.00					
2031	3,085,950.00					
2032	3,217,350.00					
2033	3,346,750.00					
2034	3,477,300.00					
2035	3,492,750.00					
2036	3,632,750.00					
2037	3,777,750.00					
2038	3,932,750.00					
2039	4,087,750.00					
2040	4,252,750.00					
2041	4,412,750.00					
2042	1,380,750.00					
Total	$118,775,600.00					

(1) Interest payments on the Current Interest Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2019.

(2) The Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) on August 1 of the years indicated on the inside cover page hereof, and interest on such Capital Appreciation Bonds is compounded semiannually on February 1 and August 1, commencing August 1, 2019.

See "VICTOR ELEMENTARY SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds" herein for a breakdown, by series, of the debt service requirements for all of the District's outstanding general obligation bonds.

Application and Investment of Bond Proceeds

The Bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities, and to pay the costs of issuing the Bonds. The net proceeds from the sale of the Bonds will be paid to the County to the credit of the building fund created by the Resolution (the "Building Fund"), and will be applied solely for the purposes for which the Bonds are being issued. Interest earnings in the Building Fund will be retained therein. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued, upon written notice from the District, will be transferred to the Debt Service Fund and applied to the payment of the principal and Maturity Value of and interest on the Bonds.

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

Moneys in the Building Fund and Debt Service Fund will be invested through the County Investment Pool. See "APPENDIX F – SAN BERNARDINO COUNTY INVESTMENT POOL" herein.

Redemption

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

The Capital Appreciation Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their respective stated maturity dates. The Capital Appreciation Bonds maturing on and after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after ______ 1, 20__ at a redemption price equal to the Accreted Value of such Capital Appreciation Bonds to be redeemed as of the date set for such redemption, without premium.

* Preliminary, subject to change.

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

Year Ending August 1	**Principal To Be Redeemed**

(1) Maturity.

In the event that a portion of the 20__ Term Bonds shown above is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, in integral multiples of $5,000 principal amount, in respect of the portion of such 20__ Term Bonds optionally redeemed.

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

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

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the

[*] Preliminary, subject to change.

Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services; and (d) provide a Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

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

"Securities Depository" means The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in Transfer Amount (which, with respect to any outstanding Current Interest Bonds, means the principal amount, and with respect to any outstanding Capital Appreciation Bond, means the Maturity Value) to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the County and the District will be released and discharged thereupon from all liability to the extent of such payment.

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

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in "—

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

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity pursuant to the provisions of the Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, all as provided in the Resolution, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter takes any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants (as defined herein) (collectively, the "DTC Participants") will distribute to the Beneficial Owners (a) payments of principal and maturity value of, interest on, or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with

DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to DTC Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by any reference to such website.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

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

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

The principal and Maturity Value of, premium and interest on the Bonds upon the redemption thereof will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated trust office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by wire to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount or Maturity Value thereof, as applicable) upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

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

Defeasance

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

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the Debt Service Fund (if any), is sufficient to pay all such Bonds outstanding and designated for defeasance (including all principal and Accreted Value thereof, interest thereon and redemption premiums, if any) at or before their maturity date; or

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

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

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

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are expected to be as follows:

Sources of Funds	
Principal Amount of Bonds	
[Net] Original Issue Premium	
Total Sources	
Uses of Funds	
Building Fund	
Debt Service Fund	
Underwriter's Discount	
Costs of Issuance(1)	
Total Uses	

(1) Represents all costs of issuance to be paid from proceeds of the Bonds, including, but not limited to, municipal advisory and legal fees, printing costs, the costs and fees of the Paying Agent, rating agency fees, and other costs of issuance of the Bonds.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem *property taxation, assessed valuation, and other measures of the tax base of the District. The principal and Maturity Value of and interest on the Bonds are payable solely from the proceeds of* ad valorem *property taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.*

Ad Valorem Property Taxation

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

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property is assessed on the "unsecured roll." Unsecured property comprises all property not attached to land, such as personal property or business property. Boats and airplanes are examples of unsecured property. A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the Treasurer-Tax Collector of the County (the "Treasurer"). After the second installment of taxes on the secured roll is delinquent, the Treasurer shall collect a cost of $10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

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

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

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

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

Assessed Valuations

The following table shows a history of assessed valuations in the District from fiscal years 2009-10 through 2018-19, as of the date the equalized assessment tax roll is established on or about August of each year.

ASSESSED VALUATIONS
Fiscal Years 2009-10 through 2018-19
Victor Elementary School District

	Local Secured	Utility	Unsecured	Total	Annual % Change of Total[1]
2009-10	$5,594,892,328	$652,103	$428,656,012	$6,024,200,443	--
2010-11	5,055,201,287	652,167	380,200,871	5,436,054,325	(9.76)%
2011-12	4,972,756,761	622,310	365,294,695	5,338,673,766	(1.79)
2012-13	4,953,215,359	622,316	354,967,297	5,308,804,972	(0.56)
2013-14	5,085,895,816	622,305	401,708,772	5,461,226,893	2.87
2014-15	5,427,907,300	321,948	409,283,718	5,837,512,966	6.89
2015-16	5,749,393,992	321,928	418,580,409	6,168,296,329	5.67
2016-17	6,042,649,816	321,863	379,028,458	6,422,000,137	4.11
2017-18	6,354,033,716	321,839	349,497,528	6,703,853,083	4.39
2018-19	6,709,748,429	321,808	349,346,912	7,059,417,149	5.30

(1) Calculated based on information provided by California Municipal Statistics, Inc.
Source: California Municipal Statistics, Inc.

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

Appeals and Adjustments of Assessed Valuations. Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the "SBE"), with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed.

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

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future, or actions by the county assessor, will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("AB 102"). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities.

Assessed Valuation by Jurisdiction. The following table shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2018-19 assessed valuation.

ASSESSED VALUATION BY JURISDICTION[(1)]
Fiscal Year 2018-19
Victor Elementary School District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Adelanto	$538,270	0.01%	$2,075,284,804	0.03%
City of Victorville	5,930,945,124	84.01	8,829,295,619	67.17
Unincorporated San Bernardino County	1,127,933,755	15.98	33,648,691,594	3.35
Total District	$7,059,417,149	100.00%		
San Bernardino County	$7,059,417,149	100.00%	$222,444,908,287	3.17%

(1) Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2018-19.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2018-19
Victor Elementary School District

	2018-19 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial	$959,236,820	14.30%	631	1.86%
Professional/Office	315,930,330	4.71	278	0.82
Industrial	323,118,977	4.82	242	0.71
Recreational	16,019,235	0.24	37	0.11
Government/Social/Institutional	8,589,930	0.13	75	0.22
Miscellaneous	1,195,081	0.02	60	0.18
Subtotal Non-Residential	$1,624,090,373	24.20%	1,323	3.89%
Residential:				
Single Family Residence	$4,319,818,983	64.38%	24,832	73.05%
Condominium/Townhouse	36,733,877	0.55	327	0.96
Mobile Home	53,567,975	0.80	1,332	3.92
Mobile Home Park	24,412,845	0.36	16	0.05
2-4 Residential Units	68,864,152	1.03	488	1.44
5+ Residential Units/Apartments	219,598,879	3.27	142	0.42
Miscellaneous Residential	5,704,695	0.09	56	0.16
Subtotal Residential	$4,728,701,406	70.48%	27,193	80.00%
Vacant Parcels	$356,956,650	5.32%	5,477	16.11%
Total	$6,709,748,429	100.00%	33,993	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 shows the distribution of single family homes within the District among various fiscal year 2018-19 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2018-19
Victor Elementary School District

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	24,832	$4,319,818,983	$173,962	$164,503

2018-19 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	101	0.407%	0.407%	$1,655,437	0.038%	0.038%
25,000 - 49,999	476	1.917	2.324	19,140,673	0.443	0.481
50,000 - 74,999	1,001	4.031	6.355	63,690,069	1.474	1.956
75,000 - 99,999	2,056	8.280	14.634	183,093,270	4.238	6.194
100,000 - 124,999	3,101	12.488	27.122	351,073,103	8.127	14.321
125,000 - 149,999	3,583	14.429	41.551	494,180,441	11.440	25.761
150,000 - 174,999	3,515	14.155	55.706	570,389,021	13.204	38.965
175,000 - 199,999	3,243	13.060	68.766	606,262,777	14.034	53.000
200,000 - 224,999	2,523	10.160	78.926	534,759,604	12.379	65.379
225,000 - 249,999	1,986	7.998	86.924	470,668,058	10.896	76.274
250,000 - 274,999	1,222	4.921	91.845	318,972,670	7.384	83.658
275,000 - 299,999	799	3.218	95.063	228,829,469	5.297	88.955
300,000 - 324,999	417	1.679	96.742	129,400,822	2.996	91.951
325,000 - 349,999	214	0.862	97.604	71,757,784	1.661	93.612
350,000 - 374,999	134	0.540	98.144	48,508,363	1.123	94.735
375,000 - 399,999	76	0.306	98.450	29,500,064	0.683	95.418
400,000 - 424,999	71	0.286	98.736	29,231,258	0.677	96.095
425,000 - 449,999	66	0.266	99.001	28,753,438	0.666	96.760
450,000 - 474,999	46	0.185	99.187	21,335,174	0.494	97.254
475,000 - 499,999	48	0.193	99.380	23,355,012	0.541	97.795
500,000 and greater	154	0.620	100.000	95,262,476	2.205	100.000
Total	24,832	100.000%		$4,319,818,983	100.000%	

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

Alternative Method of Tax Apportionment - Teeter Plan

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code, each participating local agency levying property taxes, including school districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected that would have been due to the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose secured property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county.

The Board of Supervisors of the County has implemented the Teeter Plan. Under the Teeter Plan, the County funds the District its full secured property tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments, when the late taxes are collected. The County includes the District's 1% general purpose secured property tax levy and the *ad valorem* property tax levy for the District's general obligation bonds, including the Bonds, under the Teeter Plan.

Tax Rates

The following table summarizes the total *ad valorem* property tax rates, as a percentage of total assessed valuation, levied by all taxing entities in a typical tax rate area (a "TRA") within the District during the five-year fiscal year period from 2014-15 to 2018-19:

SUMMARY OF *AD VALOREM* TAX RATES
Fiscal Years 2014-15 through 2018-19
(TRA 114-50)
Victor Elementary School District

	2014-15	2015-16	2016-17	2017-18	2018-19[(1)]
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Victor Valley Joint Union High School District	.0770	.0716	.0986	.0915	.0958
Victor Valley School District	.1022	.1124	.1162	.1216	.1204
Victor Valley Community College District	.0262	.0197	.0174	.0198	.0181
Total All Property	1.2054%	1.2037%	1.2322%	1.2329%	1.2343%
Mojave Water Agency					
Land Only	.1125%	.1125%	.1125%	.1125%	.1125%
Land and Improvements	.0550	.0550	.0550	.0550	.0550

(1) Fiscal year 2018-19 assessed valuation of TRA 114-50 is $943,416,461, which is 13.36% of the District's total assessed valuation.

Source: California Municipal Statistics, Inc.

Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2018-19 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2018-19
Victor Elementary School District

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total[1]
1.	Macerich Victor Valley LP	Shopping Center	$136,335,511	2.03%
2.	Cemex Construction Materials Pacific	Industrial	73,447,833	1.09
3.	Prime A Investments LLC	Hospital/Medical Offices	63,967,800	0.95
4.	Goodyear Tire & Rubber Company	Industrial	31,122,150	0.46
5.	Browning Desert Properties I, II & III LLC	Auto Dealership	29,592,228	0.44
6.	Nutro Products Inc.	Industrial	26,721,838	0.40
7.	Paxbello LLC	Industrial	24,135,381	0.36
8.	Victor Valley Hospital Real Estate	Hospital/Medical Offices	21,645,233	0.32
9.	Costco Wholesale Corporation	Commercial	21,406,307	0.32
10.	14374 Borego Road LLC	Apartments	20,562,970	0.31
11.	Wilmington Victorville LLC	Shopping Center	20,319,342	0.30
12.	VNF Properties	Shopping Center	19,127,365	0.29
13.	Han & Brothers Capital LLC	Shopping Center	19,101,073	0.28
14.	NHP Sterling LLC	Assisted Living Facility	18,818,492	0.28
15.	Victorian 124 LP	Apartments	18,445,050	0.27
16.	Colony Apartments Holding Company LLC	Apartments	17,901,000	0.27
17.	Wimbledon 289 Ltd.	Apartments	17,875,945	0.27
18.	ART Mortgage Borrower Propco 2010-4	Industrial	16,849,746	0.25
19.	Victor Valley Town Center LLC	Shopping Center	16,747,158	0.25
20.	Civic Rogers LLC	Shopping Center	16,642,856	0.25
			$630,765,278	9.40%

(1) The District's fiscal year 2018-19 local secured assessed valuation is $6,709,748,429.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., dated as of March 20, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

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STATEMENT OF DIRECT AND OVERLAPPING DEBT
Victor Elementary School District

2018-19 Assessed Valuation: $7,059,417,149

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 3/20/19**
Mojave Water Agency	19.843%	$1,252,093
Victor Valley Community College District	22.886	30,225,105
Victor Valley Union High School District	56.462	68,736,406
Victor Elementary School District	100.000	50,175,221 (1)
Victor Valley Union High School District Community Facilities District No. 2003-1	100.000	2,245,000
Victor School District Community Facilities District No. 2004-1	100.000	8,080,000
Victor School District Community Facilities District No. 2005-1	100.000	14,250,000
Victor School District Community Facilities District No. 2005-2	100.000	2,525,000
Victor School District Community Facilities District No. 2006-2	100.000	3,850,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$181,338,825
OVERLAPPING GENERAL FUND DEBT:		
San Bernardino County General Fund Obligations	3.174%	$10,637,820
San Bernardino County Pension Obligation Bonds	3.174	9,167,346
San Bernardino County Flood Control District General Fund Obligations	3.174	1,993,907
Victor Valley Union High School District Certificates of Participation	56.462	13,056,838
TOTAL OVERLAPPING GENERAL FUND DEBT		$34,855,911
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$152,432,255
COMBINED TOTAL DEBT		$368,626,991 (2)

Ratios to 2018-19 Assessed Valuation:

Direct Debt ($50,175,221)... 0.71%
Total Direct and Overlapping Tax and Assessment Debt...... 2.57%
Combined Total Debt 5.22%

Ratio to Redevelopment Successor Agency Incremental Valuation ($2,871,987,413):

Total Overlapping Tax Increment Debt……………………..5.31%

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal and Maturity Value of and interest on the Bonds are payable solely from the proceeds of an ad valorem *property tax levied by the County for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and of the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy property taxes for payment of the principal and Maturity Value of and interest on the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.*

Article XIIIA of the California Constitution

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

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

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

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 relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

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

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

Proposition 50 and Proposition 171

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

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

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

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

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

Unitary Property

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

Article XIIIB of the California Constitution

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

(a) "change in the cost of living" with respect to school districts and community college districts (collectively "K-14 school districts") to mean the percentage change in State per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year

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

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

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

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

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "– Propositions 98 and 111" below.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), 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 State 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 State 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 State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

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

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

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

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

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

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of such districts' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit: (i) all appropriations for "qualified capital outlay projects" as defined by the State Legislature, and (ii) any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year

1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

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

Proposition 1A and Proposition 22

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

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

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98 and Proposition 111." From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Jarvis v. Connell

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

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as an emergency within the meaning of Article XIIIB of the State Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

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

Proposition 51

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

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter schools (\$500 million) and technical education facilities (\$500 million). Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, school districts that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State Legislature will select among eligible projects as part of the annual state budget process.

The District makes no representation or guarantees that it will either pursue or qualify for Proposition 51 State facilities funding.

Future Initiatives

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

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances and State funding of public 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 and Maturity Value of and interest on the Bonds are payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

State Funding of Education

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

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

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

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

The Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. During the implementation period of the LCFF, Base Grants were required to be adjusted annually for COLAs by applying the implicit price deflator for government goods and services. The provision of COLAs is now subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "—State Budget Measures" for information on the adjusted Base Grants provided by current budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows the District's ADA, enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2017-18, and projected amounts for fiscal year 2018-19.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2018-19
Victor Elementary School District

	Average Daily Attendance[(1)]			Enrollment[(2)]	
Fiscal Year	K-3	4-6	Total ADA	Total Enrollment	% of EL/LI Enrollment[(3)]
2012-13	6,363	4,447	10,810	11,405	--
2013-14	6,502	4,603	11,105	11,608	81.60%
2014-15	6,527	4,644	11,171	11,753	86.13
2015-16	6,499	4,801	11,300	11,886	86.24
2016-17	6,676	5,035	11,711	12,330	86.15
2017-18	6,729	5,086	11,815	12,480	85.80
2018-19[(4)]	6,662	4,950	11,611	12,301	85.20

(1) Reflects P-2 ADA, which ends on or before the last attendance month prior to April 15 of each school year, net of charter school students. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.
(2) For fiscal year 2012-13, reflects enrollment as of the October report submitted to the California Basic Educational Data System ("CBEDS") in such school year. For fiscal years 2013-14 and later, reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and is used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Since fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students has been based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
(3) The District did not calculate the EL/LI student enrollment prior to the implementation of the LCFF in fiscal year 2013-14.
(4) Projected.
Source: Victor Elementary School District.

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

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

Certain school districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a basic aid district.

Accountability. The State Board of Education adopted regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be updated annually, covering a three-year period. The State Board of Education has developed a template LCAP for school districts to use.

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

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

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

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

Other Revenue Sources

Federal and Local Sources. The federal government provides funding for several school district programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as leases and rentals, interest earnings, interagency services, redevelopment revenue, developer fees, and other local sources.

Developer Fees. The District receives developer fees, calculated on the basis of square footage, pursuant to State Government Code Section 65995 (the "Developer Fees"). The Developer Fees received by the District are deposited directly into the District's Capital Facilities Fund, and are legally required to be used for facility improvements and construction necessitated by student population increases resulting from development. The District received $334,942, $406,902, and $1,099,298 in Developer Fees in fiscal years 2015-16 through 2017-18, respectively, and the District has projected that it will receive $495,000 in Developer Fees in fiscal year 2018-19.

Redevelopment Revenues. The District historically has received statutory pass-through tax increment revenue from the County and from redevelopment agencies formed pursuant the California Community Redevelopment Law (California Health and Safety Code Sections 33000 et seq.) (each, a "Redevelopment Agency"). Tax increment revenues are currently received from the successor agencies to such Redevelopment Agencies, and are accounted for in the District's Fund 40 (Special Reserve Fund for Other than Capital Outlay). The District received $1,627,335, $1,673,468, and $1,910,481 of such revenues in fiscal years 2015-16 through 2017-18, respectively, and has projected that it will receive $1,974,686 of such revenues in fiscal year 2018-19.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

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

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

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

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

The District has never had an adopted budget disapproved by the County superintendent of schools and has not received a "qualified" or "negative" certification of an Interim Financial Report pursuant to AB 1200, since its second interim report in fiscal year 2011-12.

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General Fund Budgeting. The table below summarizes the District's general fund adopted budgets for fiscal years 2015-16 through 2018-19, ending results for fiscal years 2015-16 through 2017-18, and projected results for fiscal year 2018-19.

GENERAL FUND BUDGETING[1]
Fiscal Years 2015-16 through 2018-19
Victor Elementary School District

	Adopted Budget 2015-16[2][3]	Audited Actuals 2015-16[2]	Adopted Budget 2016-17[2][3]	Audited Actuals 2016-17[2]	Adopted Budget 2017-18[2][3]	Audited Actuals 2017-18[2]	Adopted Budget 2018-19[3]	Projected Actuals 2018-19[4]
REVENUES								
LCFF Sources	$100,777,169	$99,507,586	$108,696,728	$111,734,227	$117,080,699	$116,467,114	$125,513,028	$125,830,888
Federal Sources	5,595,234	6,166,024	6,096,345	7,891,143	7,215,157	8,703,232	8,528,017	10,602,749
Other State Sources	3,465,959	13,132,520	6,772,670	10,783,548	8,192,217	11,166,799	12,597,676	11,411,645
Other Local Sources	164,420	926,673	158,596	1,465,173	319,352	1,027,058	518,594	966,069
Total Revenues	110,002,782	119,732,803	121,724,339	131,874,091	132,807,425	137,364,203	147,157,315	148,811,351
EXPENDITURES								
Current								
Certificated Salaries	46,457,162	47,882,873	49,247,684	52,476,343	52,723,009	55,667,065	54,900,854	54,447,985
Classified Salaries	12,406,449	13,343,375	13,771,860	14,834,253	15,014,560	15,963,733	16,179,938	16,309,988
Employee Benefits	24,773,011	26,475,744	28,294,496	32,189,353	36,398,029	36,246,186	40,145,863	39,807,056
Books & Supplies	5,659,628	3,613,297	6,409,912	5,460,609	3,909,846	4,478,811	4,367,820	8,405,769
Services & Other Operating Expenses	15,053,690	13,728,944	15,801,920	14,466,787	16,411,421	16,156,356	18,537,887	19,757,073
Other Outgo	1,797,362	2,227,489	2,516,585	2,734,938	2,647,177	3,153,081	1,083,000	1,449,349
Transfers of indirect costs	--	--	--	--	--	--	(269,777)	(254,522)
Capital Outlay	1,142,650	3,838,907	1,152,139	3,163,838	1,930,350	1,108,023	3,386,972	4,685,928
Total Expenditures	107,289,952	111,110,629	117,194,596	125,326,121	129,034,392	132,773,255	138,332,557	144,608,626
Excess (Deficiency) of Revenues Over Expenditures	2,712,830	8,622,174	4,529,743	6,547,970	3,773,033	4,590,948	8,824,758	4,202,725
Net Financing Sources (Uses)	--	--	--	(7,929,290)	--	(1,765,977)	(4,063,411)	(2,173,966)
NET CHANGE IN FUND BALANCES	2,712,830	8,622,174	4,529,743	(1,381,320)	3,773,033	2,824,971	4,761,347	2,028,759
Fund Balance – Beginning	15,800,656	18,603,487	26,230,902	27,225,661	25,260,593	25,844,341	27,847,279	28,669,312
Fund Balance - Ending	18,513,486	27,225,661	30,760,645	25,844,341	29,033,626	28,669,312	$32,608,626	$30,698,071

(1) Reflects general fund revenues and expenditures only, and does not include funds on deposit in the District's Special Reserve Fund for Post-Employment Benefits. Audited general fund revenues, expenditures and fund balances presented under the heading "—Comparative Financial Statements" herein include the Special Reserve Fund for Post-Employment Benefits.
(2) From the District's Comprehensive Audited Financial Statements for fiscal years 2015-16 through 2017-18, respectively.
(3) Budgeted figures reflect the original adopted budget for each fiscal year, approved prior to the close of the prior fiscal years' books.
(4) From the District's second interim for fiscal year 2018-19, approved by the Board on March 13, 2019. Numbers are rounded to nearest whole dollar.
Source: Victor Elementary School District.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Education Code Section 41010, is to be followed by all State school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

Audited financial statements for the District for the fiscal year ended June 30, 2018 and prior fiscal years are on file with the District and available for public inspection at the Victor Elementary School District, 12219 2nd Avenue, Victorville, California 92395, telephone: (760) 245-1691. The District's audited financial statements for the year ended June 30, 2018 are attached hereto as APPENDIX B.

The table on the following page reflects the District's audited general fund revenues, expenditures and changes in fund balance for fiscal years 2013-14 through 2017-18.

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AUDITED GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years 2013-14 through 2017-18
Victor Elementary School District

	2013-14	2014-15	2015-16	2016-17	2017-18
REVENUES					
Revenue Limit/LCFF Sources	$69,741,062	$83,006,030	$99,507,586	$111,734,227	$116,467,114
Federal Sources	6,110,761	6,631,055	6,166,024	7,891,143	8,703,232
Other State Sources	5,938,046	7,164,299	13,132,520	10,783,548	11,166,799
Other Local Revenue	1,089,600	1,510,402	928,489	1,467,955	1,031,137
Total Revenues	82,879,469	98,311,786	119,734,619	131,876,873	137,368,282
EXPENDITURES					
Instruction	54,668,754	64,076,275	70,662,870	80,944,539	85,919,483
Instruction-Related Services:					
Supervision of Instruction	1,439,923	1,537,002	1,471,657	2,002,253	2,045,217
Instructional Library, Media and Technology	986,604	1,022,446	1,119,240	1,222,228	1,242,390
School Site Administration	4,402,413	5,176,181	6,240,876	6,673,336	7,679,725
Pupil Services:					
Home-to-School Transportation	3,102,870	5,102,684	6,427,373	5,317,332	5,483,710
Food Services	2,615	3,147	2,081	5,766	2,000
All Other Pupil Services	4,142,984	4,716,927	5,421,426	5,891,366	6,698,084
Community Services	25,676	34,869	53,820	414,125	339,439
General Administration:					
Data Processing	552,196	1,078,062	752,819	915,502	918,594
All Other General Administration	3,432,634	4,175,153	4,481,850	4,963,697	5,586,654
Plant Services	8,572,771	9,290,062	10,671,813	12,051,461	12,708,341
Other Outgo	(243,006)	(243,006)	(169,472)	(291,773)	(341,168)
Capital Outlay	142,371	358,536	1,577,315	2,189,578	996,537
Intergovernmental Transfers	791,504	1,680,996	2,396,961	3,026,711	3,494,249
Total Expenditures	82,020,309	98,009,334	111,110,629	125,326,121	132,773,255
Excess/Deficiency of Revenues Over/Under Expenditures	859,160	302,452	8,623,990	6,550,752	4,595,027
OTHER FINANCING SOURCES (USES)	(2,041)	--	--	(7,929,290)	(1,765,977)
Net Change in Fund Balances	857,119	302,452	8,623,990	(1,378,538)	2,829,050
Beginning Fund Balances, July 1	17,766,111	18,623,230	18,925,682	27,549,672	26,171,134
Ending Fund Balances, June 30	$18,623,230	$18,925,682	$27,549,672	$26,171,134	$29,000,184

Source: Victor Elementary School District.

State Budget Measures

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

2018-19 Budget. On June 27, 2018, the Governor signed into law the State budget for fiscal year 2018-19 (the "2018-19 Budget"). The following information is drawn from the LAO's review of the 2018-19 Budget.

To protect against potential future economic recessions, the 2018-19 Budget fully funds the BSA with a total deposit of over $4.4 billion, including a $2.6 billion optional deposit in addition to the Constitutionally-required deposit, and adds two additional reserves to State law: the Safety Net Reserve Fund, intended to save money specifically for future expenditures of the CalWORKs and Medi-Cal programs; and the Budget Deficit Savings Account ("BDSA"), which for 2018-19 will temporarily hold the $2.6 billion optional BSA deposit until May 2019. In May 2019, the optional BSA deposit amount will be adjusted as necessary to reflect updated estimates of revenues, at which point it will be transferred to the BSA. The projected ending balance in the BSA at the end of the 2018-19 fiscal year is expected to equal the BSA's current constitutional maximum of 10 percent of the estimated general fund revenues for fiscal year 2018-19.

For fiscal year 2017-18, the 2018-19 Budget projects total general fund revenues and transfers of $129.8 billion and total expenditures of $127.0 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of $16.7 billion, including $7.3 billion in the traditional general fund reserve and $9.4 billion in the BSA. For fiscal year 2018-19, the 2018-19 Budget projects total general fund revenues of $133.3 billion and authorizes expenditures of $138.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $15.9 billion, including $2.0 billion in the traditional general fund reserve, $13.8 billion in the BSA and $200 million in the Safety Net Reserve Fund. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the 2018-19 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2016-17 and 2017-18, as a result of higher general fund revenues. The 2018-19 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at $71.6 billion, an increase of $252 million from the prior year. The 2018-19 Budget revises the minimum funding guarantee for fiscal year 2017-18 at $75.6 billion, reflecting an increase of $1.1 billion from the prior year. As part of the 2017-18 increase, the State is making an additional maintenance factor payment of $789 million, on top of a previous $536 million payment. After making the approximately $1.3 billion total payment, the State will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the State is spending at the calculated minimum guarantee.

For fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at $78.4 billion, reflecting an increase of $2.8 billion (or 3.7%) from the revised prior-year level. Fiscal year 2018-19 is projected to be a "Test 2" year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to K-12 education, the 2018-19 Budget sets Proposition 98 funding at $67.9 billion, including $47.5 billion from the State general fund, reflecting an increase of $1.3 billion (or 2.7%) from the prior year. Per-pupil spending increases by $579 (or 5.2%) from the prior year, up to $11,640.

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

- *Local Control Funding Formula* – An increase of $3.7 billion in Proposition 98 funding to fully implement the LCFF, reaching the target funding targets and funding the statutory 2.71% COLA to the adjusted Base Grants for the prior year. Additionally, the 2018-19 Budget provides nearly an extra 1 percentage point increase in the LCFF rates. The adjusted Base Grants for fiscal year 2018-19 are as follows: $8,235 for grades K-3, $7,571 for grades 4-6, $7,796 for grades 7-8 and $9,269 for grades 9-12.

- *Low-Performing Students Block Grant* – $300 million in one-time Proposition 98 funding to provide resources to local education agencies to help certain low-performing students, with funding allocated to local education agencies based on the count of students who did not meet statewide standards in spring 2018 on assessments of reading and math and who are not foster youth, low-income students, English learners, or students with disabilities.

- *State System of Support* – An increase of $54 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *California Collaborative for Educational Excellence* – $12 million in ongoing Proposition 98 funding for the California Collaborative for Educational Excellence (the "Collaborative") to assist county offices of education and regional lead agencies. Additionally, the 2018-19 Budget re-appropriates $5.6 million from prior-year one-time Proposition 98 appropriations for use by the Collaborative for additional statewide trainings and technical assistance.

- *Special Education Local Plan Area (SELPA) Technical Assistance* – $10 million in Proposition 98 funding for up to ten SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance within the Statewide system of support.

- *Career Technical Education (CTE)* – $164 million in ongoing Proposition 98 funding to create a new K-12 CTE program funded through the Strong Workforce Program, which is administrated by California Community College Chancellor's Office, in consultation with the State Department of Education, as well as $150 million in ongoing Proposition 98 funding to make permanent the State's Career Technical Education Incentive Grant Program.

- *One-Time Discretionary Funding* – An increase of $1.1 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds would offset any applicable mandate reimbursement claims for these entities.

- *Special Education, Bilingual, and STEM Teachers* – $75 million in one-time Proposition 98 funding to start new or expand existing teacher residency programs with $50 million earmarked for special education teachers and $25 million earmarked for bilingual and STEM teachers; and $50 million in one-time Proposition 98 funding to provide one-time competitive grants to local educational agencies to fund new or existing local efforts to recruit and retain special education teachers.

- *Classified School Employee Summer Assistance Program* – $50 million one-time Proposition 98 funding to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the 2019-20 school year, supplemented by State funding, and paid during the summer recess period.

- *Classified School Employee Professional Development Block Grant Program* – $50 million one-time Proposition 98 funding for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.

- *Federal Funds for Academic Enrichment* – $165 million one-time federal ESSA Title IV funding for academic enrichment, with $121 million of such funds distributed to local education agencies based on their share of existing Title I funding, and the remainder distributed competitively.

- *Charter School Facility Grant Program* – $21 million one-time and $25 million ongoing Proposition 98 funding to reflect increases in programmatic costs.

- *Kids Code After School Program* – $15 million one-time Proposition 98 funding to fund the inclusion of computer coding in after-school curriculum.

- *Fiscal Crisis and Management Assistance Team (FCMAT)* – $972,000 Proposition 98 funding to allow FCMAT provide additional assistance for fiscally distressed school districts and provide additional training for county offices of education regarding fiscal oversight of school districts.

- *Kindergarten Facilities* – $100 million one-time non-Proposition 98 general fund funding to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs.

- *Proposition 51* – a total allocation of $594 million in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2018-19 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

2019-20 Proposed Budget. On January 10, 2019, the Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 Budget"). The following information is drawn from the State Department of Finance's summary of the Proposed 2019-20 Budget.

For fiscal year 2018-19, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $136.9 billion and total expenditures of $144.1 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $18.3 billion, including $3.9 billion in the traditional general fund reserve, $13.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2019-20, the Proposed 2019-20 Budget projects total general fund revenues of $142.6 billion and authorizes expenditures of $144.2 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $18.5 billion, including $2.3 billion in the traditional general fund reserve, $15.3 billion in the BSA and $900 million in the Safety Net Reserve Fund. The Governor notes that additional deposits to the BSA are premised on a recent opinion by the

California Office of Legislative Counsel which concluded that supplemental payments made in prior fiscal years do not count towards calculating the BSA's constitutional maximum of 10%. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the Proposed 2019-20 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2017-18 and 2018-19, as a result of lower-than-anticipated ADA and a year-to-year decline in State general fund revenue growth. The Proposed 2019-20 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2017-18 at $75.5 billion, a decrease of $120.1 million from the prior year. The Proposed 2019-20 Budget revises the minimum funding guarantee for fiscal year 2018-19 at $77.9 billion, reflecting a decrease of $525.7 million from the prior year. Notwithstanding these decreases, the Proposed 2019-20 Budget maintains level funding for K-14 education in these years by maintaining a $44 million overappropriation to the fiscal year 2017-18 minimum guarantee and using settle-up payments to offset otherwise unfunded obligations in fiscal year 2018-19.

For fiscal year 2019-20, the Proposed 2019-20 Budget sets the minimum funding guarantee at $80.7 billion, reflecting an increase of $2.8 billion from the revised prior-year level. Fiscal year 2019-20 is projected to be a "Test 3" year. With respect to K-12 education, ongoing per-pupil spending is set at $12,003, reflecting an increase of $435 from the prior year.

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

- *Local Control Funding Formula* – An increase of $2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% COLA, and bringing total LCFF funding to $63 billion.

- *Categorical Programs* – An increase of $187 million in Proposition 98 funding to support a 3.46% COLA for categorical programs that remain outside the LCFF.

- *Pension Costs* – A $3 billion, one-time payment from non-Proposition 98 funds to CalSTRS, to reduce long-term liabilities for K-14 school districts. Of this amount, $700 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability.

- *State System of Support* – An increase of $20.2 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *Special Education* – $576 million in Proposition 98 funding (of which $186 million is one-time) to support expanded special education services and school readiness supports at local educational agencies with high percentages of both disabled students and unduplicated students that are low-income, youth in foster care or English language learners.

- *Preschool* – $125 in non-Proposition 98 funding to increase access to subsidized full-day, full-year State preschool for four year old children in fiscal year 2019-20. The Proposed 2019-20 Budget also provides for an increase of $26.8 million in Proposition 98 funding to reflect the full-year cost of full-day preschool slots implemented during the prior fiscal year.

- *Kindergarten Facilities* – an increase of $750 million in one-time non-Proposition 98 funding to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs.

- *County Offices of Education* – An increase of $9 million in Proposition 98 funding for county offices of education, reflecting a 3.46% COLA and ADA changes applicable to the LCFF.

- *Proposition 51* – a total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the Proposed 2019-20 Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

Future Actions. The District cannot predict what actions will be taken in the future by the Legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal and Maturity Value of and interest on the Bonds would not be impaired.

VICTOR ELEMENTARY SCHOOL DISTRICT

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

Introduction

The Victor Elementary School District was formed in 1896. The District provides public education within a 44 square mile area including all of the City of Victorville and approximately 7 square miles of unincorporated areas of San Bernardino County. The District currently operates 15 elementary schools and 2 charter schools. For fiscal year 2018-19, the District's projected ADA is 11,611 students, and taxable property within the District has an assessed valuation of $7,059,417,149.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Victor Elementary School District, Attention: Superintendent, 12219 2nd Ave, Victorville, California 92395.

Administration

The District is governed by a five-member Board of Trustees, each member of which is elected by voters within five trustee areas to four-year terms. Elections for positions to the Board of Trustees are held every two years, alternating between two and three available positions. Current members of the Board of Trustees, together with their offices and the dates their term expires, are listed below:

BOARD OF TRUSTEES
Victor Elementary School District

Name	Office	Term Expires
Joyce Chamberlain	President	November 2020
Dr. Gabriel Stine	Vice President	November 2020
Allen Williams	Clerk	November 2022
Clayton Moore	Member	November 2022
Dr. Gary Elder	Member	November 2022

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board of Trustees. Brief biographies of the Superintendent and the Assistant Superintendent, Administrative Services follow:

Jan Gonzales, Superintendent. Mrs. Gonzales has held a variety of positions with the District for the past fifteen years. Prior to being appointed Superintendent, she held the position of Assistant Superintendent of Administrative Services from July of 2008 to December of 2012. Mrs. Gonzales has also served the District as a classroom teacher, and in that capacity she was a National Board Certified Teacher, Teacher of the Year, and San Bernardino County Teacher of the Year. She holds a Master of Arts degree in Educational Administration from Chapman University, a Bachelor of Arts degree in Liberal Studies from California State University, San Bernardino, and an Associate of Arts degree in Liberal Arts from Victor Valley Community College. Mrs. Gonzales also has received a certificate from the Association for California School Administrators Academy for Chief Business Officials.

Debbie Betts, Assistant Superintendent, Administrative Services. Mrs. Betts has held a variety of positions within the District past 22 years, most recently being appointed as the Assistant Superintendent, Administrative Services in February of 2013. Mrs. Betts also previously served the District as the Director of Fiscal Services for seven and half years. Mrs. Betts holds a Bachelor of Arts degree in Business Administration from the University of La Verne.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education, or the State Board of Education.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (iii) to provide competition within the public school system to stimulate improvements in all public schools.

The District currently operates two dependent charter schools, with a current ADA of 458 students. Under the LCFF, charter schools are funded on the basis of target base funding grants per unit of ADA substantially similar to those of school districts. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula" herein.

Labor Relations

As of January 1, 2019, the District employed 543 full-time equivalent ("FTE") certificated employees, 233 FTE classified employees and 94 FTE management employees. District employees, except management and some part-time employees, are represented by the bargaining units noted below:

Labor Organization	Number of Employees In Bargaining Unit	Contract Expiration Date
California Teachers Association	552	June 30, 2020
California Schools Employee Association	376	June 30, 2020

Source: Victor Elementary School District.

District Retirement Systems

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

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

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

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On

June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

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

Source: AB 1469.

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

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

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

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

Source: AB 1469.

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

The District's contributions to STRS were $5,924,332 in fiscal year 2014-15, $7,325,512 in fiscal year 2015-16, $10,255,930 in fiscal year 2016-17, and $12,080,525 in fiscal year 2017-18. The District projects $13,406,786 for its contribution to STRS for fiscal year 2018-19.

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

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures or fiscal year 2018-19. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2017-18 and fiscal year 2018-19, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were $1,542,305 in fiscal year 2014-15, $1,785,735 in fiscal year 2015-16, $2,329,529 in fiscal year 2016-17, and $2,805,035 in fiscal year 2017-18. The District projects $3,459,644 for its contribution to PERS for fiscal year 2018-19.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com;

(ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

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

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

STRS

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

PERS

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

(1) Amounts may not add due to rounding.

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

(3) Reflects actuarial value of assets.

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

(5) On April 16, 2019, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.

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

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

Based on the change in actuarial assumptions adopted by the STRS Board, including the adoption of a 7% investment rate of return, recent investment experience and the insufficiency of the contributions received in fiscal year 2016-17 to cover interest on the unfunded actuarial obligation, the 2017 STRS Actuarial Valuation reports that the unfunded actuarial obligation increased by $10.6 billion since the June 30, 2016 actuarial valuation and the funded ratio decreased by 1.1% to 62.6% over such time period. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2017 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.6%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

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

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

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

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

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

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer of 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the 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 rate for 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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

For fiscal year ending June 30, 2018, the District's shares of the net pension liabilities for the STRS and PERS programs were calculated to be $89,707,473 and $31,387,925, respectively. For additional information regarding the Statements, see "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11" herein

Other Post-Employment Benefits

Plan Benefits. The District provides post-employment medical insurance benefits (the "Benefits") to eligible retirees of the District and their dependents. Employees are eligible upon reaching the age of 55, with at least 10 years of service to the District. Benefits are eligible to be received for a period of ten years, or until such employee becomes Medicare-eligible, whichever occurs first. The District contributes 100% of insurance premiums. The District generally funds the Benefits on a "pay as you go" basis to cover current insurance premiums. For fiscal years 2016-17 and 2017-18, the District realized $993,159 and $1,137,129 of expenses towards the Benefits. For fiscal year 2018-19, the District currently projects $1,477,688 as its contribution towards the Benefits.

The District has also created a Special Reserve for Post-Employment Benefits into which the District deposits surplus funds, from time to time, to begin funding its accrued liability for the Benefits. The balance of this fund, as of February 28, 2019, was $333,987. However, this fund has not been irrevocably pledged to the Benefits, and may be accessed upon Board decision for other purposes.

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

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

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

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District's financial statements for fiscal year 2016-17. GASB Statement No. 75 has an effective date for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB No. 75 in their financial statements for fiscal year 2017-18. See also "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12" attached hereto.

Actuarial Study. The District's most recent actuarial study, dated as of September 18, 2019, calculated the District's accrued liability in accordance with GASB No. 74 and GASB No. 75. The study concluded that, as of a June 30, 2018 valuation date, the District's Total OPEB Liability was $44,869,919, its Fiduciary Net Position was $0 and its Net OPEB Liability was $44,869,919. In calculating the accrued liability, the District is required to recognize an implicit subsidy in retiree premium rates because retirees and current employees in the District's health insurance plan are insured as a group, and it is assumed that the premiums paid for retiree insurance coverage are lower than they would have been if current retirees were insured separately.

Risk Management

The District is exposed to various risks of loss related to property, general liability, workers' compensation and employee benefits. These risks are addressed through a combination of commercial insurance and participation in certain public entity risk pools.

The District participates in joint ventures under joint powers agreements ("JPAs") with the High Desert/Inland Employee/Employer Trust, Southern California Schools Employee Benefits Association, and California Risk Management. The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs provide property and liability insurance coverage, health and welfare benefits coverage, and workers compensation insurance coverage. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

There are a number of claims pending against the District. In the opinion of the District, the related liability, if any, stemming from these claims will not materially affect the financial condition of the District. Settled claims have not exceeded available insurance coverages in the past three fiscal years. Based upon prior claims experience, the District believes that it has adequate insurance coverage.

See also "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 8" and "—Note 9" attached hereto.

District Debt Structure

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
General Obligation Bonds				
Principal Payments	$56,580,584	--	$3,555,319	$53,025,265
Accreted Interest	22,858,339	$3,022,973	3,204,681	22,676,631
Unamortized Premium	2,822,920	--	214,851	2,608,069
Total General Obligation Bonds	$82,261,844	$3,022,973	$6,974,851	$78,309,966
Certificates of Participation	$1,410,000	--	$1,410,000	--
Compensated Absences	495,413	$102,015	--	$597,428
Other Postemployment Benefits	42,576,105	5,212,311	2,268,979	45,519,440
Sub-totals	$126,743,365	$8,337,299	$10,653,830	$124,426,834

Source: Victor Elementary School District.

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General Obligation Bonds. The following table summarizes the District's annual debt service requirements for all outstanding general obligation bonds of the District, including the Bonds (and assuming no optional redemptions).

GENERAL OBLIGATION BONDS – CONSOLIDATED DEBT SERVICE SCHEDULE
Victor Elementary School District

Year Ending Aug. 1	Election of 1995 Series A Bonds	Election of 2001 Series A Bonds	Election of 2001 Series B Bonds	Election of 2001 Series C Bonds	Election of 2008 Series A Bonds	2014 Refunding Bonds	Election of 2008 Series B Bonds	2015 Refunding Bonds	2016 Refunding Bonds	The Bonds
2019	$4,620,000.00	--	$425,000.00	--	--	$1,204,700.00	$412,750.00	$889,600.00	$556,100.00	
2020	5,270,000.00	--	1,355,000.00	--	--	832,300.00	492,750.00	484,100.00	1,474,600.00	
2021	--	--	2,535,000.00	--	$1,015,000.00	363,750.00	517,750.00	--	515,800.00	
2022	--	--	2,680,000.00	--	1,085,000.00	393,500.00	537,750.00	--	518,800.00	
2023	--	$2,030,000.00	1,000,000.00	--	1,145,000.00	246,000.00	567,750.00	--	516,600.00	
2024	--	2,150,000.00	1,000,000.00	--	1,210,000.00	315,000.00	592,750.00	--	519,400.00	
2025	--	2,275,000.00	1,000,000.00	$445,000.00	1,280,000.00	--	622,750.00	--	517,000.00	
2026	--	2,410,000.00	1,000,000.00	505,000.00	1,355,000.00	--	647,750.00	--	519,600.00	
2027	--	--	3,570,000.00	--	1,430,000.00	--	677,750.00	--	517,000.00	
2028	--	--	3,785,000.00	--	1,505,000.00	--	707,750.00	--	519,400.00	
2029	--	--	4,010,000.00	--	--	--	742,750.00	--	2,101,600.00	
2030	--	--	2,100,000.00	--	--	--	777,750.00	--	2,185,400.00	
2031	--	--	--	--	--	--	812,750.00	--	2,273,200.00	
2032	--	--	--	--	--	--	847,750.00	--	2,369,600.00	
2033	--	--	--	--	--	--	887,750.00	--	2,459,000.00	
2034	--	--	--	--	--	--	917,750.00	--	2,559,550.00	
2035	--	--	--	--	--	--	3,492,750.00	--	--	
2036	--	--	--	--	--	--	3,632,750.00	--	--	
2037	--	--	--	--	--	--	3,777,750.00	--	--	
2038	--	--	--	--	--	--	3,932,750.00	--	--	
2039	--	--	--	--	--	--	4,087,750.00	--	--	
2040	--	--	--	--	--	--	4,252,750.00	--	--	
2041	--	--	--	--	--	--	4,412,750.00	--	--	
2042	--	--	--	--	--	--	1,380,750.00	--	--	
Total	$9,890,000.00	$8,865,000.00	$24,460,000.00	$950,000.00	$10,025,000.00	$3,355,250.00	$39,734,000.00	$1,373,700.00	$20,122,650.00	

Source: Victor Elementary School District.

Non-obligatory Debt; Community Facilities District Bonds. The District has established community facilities improvement districts (each, a "CFD") pursuant to the Mello-Roos Community Facilities Act of 1982 (Sections 53311 *et seq.* of the Government Code) for the purpose of raising funds for the construction and acquisition of elementary, high school and certain other public facilities within specified areas of the District. Each of the CFDs established by the District has sold special tax bonds ("Special Tax Bonds") payable from a special tax (each, a "Special Tax") to be levied on all taxable parcels within each respective CFD, pursuant to a rate and method of apportionment of special taxes (each, an "RMA") approved by registered voters of each CFD.

Special Tax Bonds issued by a CFD are special obligations thereof, payable solely from the net proceeds of the Special Tax levied within such CFD. The District's general fund is not a source of payment for the bonds issued by any CFD. Each CFD has covenanted to levy in each year an amount of Special Taxes at least equal to (i) any amounts necessary to fund specified administration costs of the CFD, and (ii) 110% of the debt service coming due on all outstanding Special Tax Bonds of such CFD in such year.

The following table shows the combined debt service on bonds sold by the District's CFDs.

Year Ending September 1	CFD 2004-1	CFD 2005-2	CFD 2005-1	CFD 2006-2
2019	$622,440.00	$180,763.15	$734,788.25	$252,570.00
2020	635,615.00	189,108.88	719,981.26	259,870.00
2021	647,715.00	192,036.25	736,681.26	261,595.00
2022	668,740.00	197,097.16	747,781.26	258,088.76
2023	673,260.00	199,639.08	763,431.26	259,601.26
2024	691,920.00	204,602.87	781,831.26	260,863.76
2025	704,075.00	209,208.78	794,231.26	261,895.00
2026	719,940.00	211,378.20	813,731.26	262,695.00
2027	734,300.00	215,844.21	826,731.26	258,245.00
2028	747,155.00	220,130.94	848,481.26	258,495.00
2029	763,505.00	226,511.16	863,481.26	258,495.00
2030	778,135.00	230,326.54	881,981.26	258,245.00
2031	781,045.00	236,019.84	898,731.26	262,745.00
2032	782,665.00	239,142.46	918,731.26	261,745.00
2033	777,995.00	244,335.22	936,731.26	260,495.00
2034	782,250.00	249,316.46	957,731.26	258,995.00
2035	--	253,880.33	974,356.26	262,245.00
2036	--	258,220.99	994,756.26	259,995.00
2037	--	--	1,013,756.26	262,495.00
2038	--	--	1,035,556.26	259,495.00
2039	--	--	1,055,725.00	261,245.00
2040	--	--	1,079,262.50	262,495.00
2041	--	--	1,100,987.52	263,013.76
2042	--	--	1,120,900.02	258,020.00
2043	--	--	1,144,000.00	262,770.00
2044	--	--	1,167,250.00	261,751.26
2045	--	--	1,192,000.00	260,220.00
2046	--	--	1,218,000.00	263,000.00

Source: Victor Elementary School District.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax.

The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Bond Owner of the Bonds is exempt from State personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

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

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

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

OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

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

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

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

LIMITATION ON REMEDIES; BANKRUPTCY

General

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

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien

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

Special Revenues

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

Possession of Tax Revenues; Remedies

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's pooled investment fund, as described in "THE BONDS – Application and Investment of Bond Proceeds" herein and "APPENDIX F – SAN BERNARDINO COUNTY INVESTMENT POOL" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

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

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

LEGAL MATTERS

Legality for Investment in California

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

Enhanced Reporting Requirements

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

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. Within the past five years, the District failed to file a portion of the annual report for fiscal year 2013-14, as required by a prior undertaking entered into in connection with one of the District's outstanding general obligation bonds. Within the past five years, one of the District's CFDs failed to file in a timely manner a portion of the annual report for fiscal year 2017-18, as required by the undertaking entered into pursuant to the Rule in connection with an outstanding Special Tax Bond issue of such CFD. Within the past five years, the District failed to file notice of an enumerated event, as required by a prior undertaking entered into in connection with one of the District's outstanding general obligation bonds.,

Absence of Material Litigation

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

There are certain lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims, if determined adverse to the District, would not materially affect the finances of the District.

Legal Opinion

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

MISCELLANEOUS

Rating

Moody's has assigned the rating of "Aa3" to the Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency, at the following address: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

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

Financial Statements

The District's audited financial statements with supplemental information for the year ended June 30, 2018, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Nigro & Nigro, PC (the "Auditor") dated December 11, 2018, are attached to this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

The Bonds are being purchased by the Underwriter pursuant to a contract for purchase and sale thereof by and between the Underwriter and the District (the "Purchase Contract"). The Underwriter has agreed to purchase the Bonds at a price of $______, which is equal to the initial principal amount of the Bonds of $________, plus net original issue premium of $_________, and less the Underwriter's discount of $________.

The Purchase Contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by Bond Counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

Additional Information

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

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only 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, beneficial or otherwise, of any of the Bonds. This Official Statement and the delivery thereof have been duly approved and authorized by the District.

VICTOR ELEMENTARY SCHOOL DISTRICT

By: ______________________________________

Debbie Betts
Assistant Superintendent, Administrative Services

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APPENDIX A

FORM OF OPINION OF BOND COUNSEL

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

______________, 2019

Board of Trustees
Victor Elementary School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $______________ Victor Elementary School District Election of 2008 General Obligation Bonds, Series C (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a 55% vote of the qualified electors of the Victor Elementary School District (the "District") voting at an election held on November 4, 2008, and a resolution of the Board of Trustees of the District (the "Resolution").

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

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

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

5. The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. For purposes of the previous sentence, the stated redemption price at maturity includes the aggregate sum of all debt service payments on Capital Appreciation Bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the

Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

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

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

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

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

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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX B

2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

VICTOR ELEMENTARY SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended June 30, 2018

VICTOR ELEMENTARY SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2018
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Victor Elementary School District
Victorville, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Victor Elementary School District, as of and for the fiscal 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.

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

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Change in Accounting Principle
As discussed in Note 1.I. to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2017-18 due to the adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a $31,863,396 reduction of previously reported net position at July 1, 2017. 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, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is 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*, and is also not a required part of the basic financial statements. The supplementary information on pages 62 to 67 and the schedule of expenditures of federal awards on page 68 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 61, 69, and 82 to 84 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated December 11, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
December 11, 2018

INTRODUCTION

This section of Victor Elementary School District's (VESD) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2018. Please read this analysis in conjunction with the District's audited financial statements.

- The District is currently operating fifteen schools and two Charter schools. VESD has an enrollment of 12,795 students for month 4 of the current school year with enrollment projected to remain flat through 2020/2021.

FINANCIAL HIGHLIGHTS

- Total net assets decreased 85.8% over the course of the year.
- The District's General Fund available reserves were 12.3% of total outgo.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and statistical information. The basic financial statements include two kinds of statements that present different views of the District:

- Government Wide Financial Statements – these district wide statements provide both short term and long term information about the District's overall financial status.
- Fund Financial Statements – these focus on individual parts of the District, reporting the District's operations in more detail than the district wide statements.
- Notes to the financial statements provide more detailed data and explain some of the information on the statements. The required supplementary information section provides further explanations and supports the financial statements with a comparison of the District's budget for the year.

District Wide Statements

The district wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the 2017-2018 revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district wide statements report the District's net assets and how they have changed. Net assets are the difference between the District's assets and liabilities and are one way to measure the District's financial health or position. However, to assess the overall health of the District, additional non-financial factors such as changes in the District's condition of school buildings and other facilities need to be considered.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and bond covenants.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

VESD has two kinds of funds:

Governmental Funds – All of the District's basic services are included in governmental funds, which generally focus on:

1. How cash and other financial assets can readily be converted to cash flow in and out
2. The balances left at year end that are available for spending

Consequently, the governmental funds statements provide a detailed short term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Fiduciary Funds – The District is a trustee, or fiduciary, for assets that belong to the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district wide financial statements because the District cannot use these assets to finance its operations.

THE SCHOOL DISTRICT AS A WHOLE

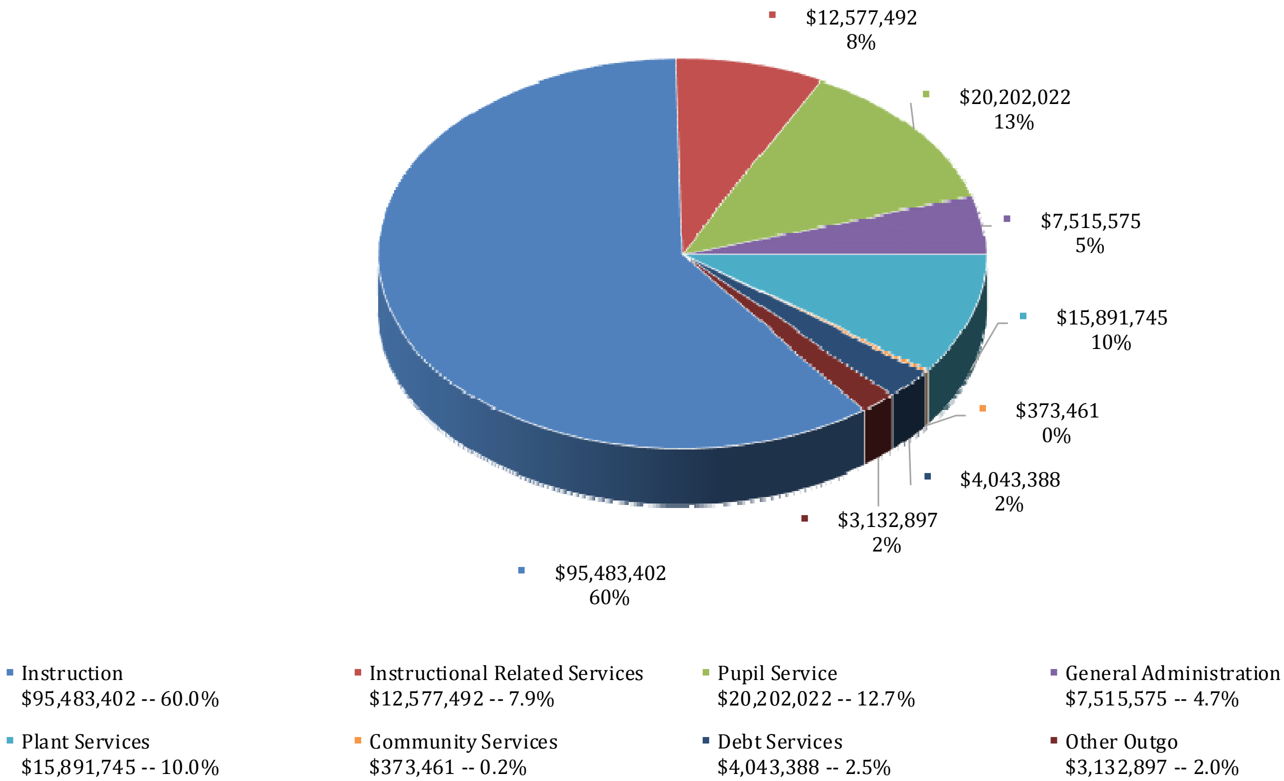
One of the frequent questions asked about the District's finances is, "Is the District better off or worse as a result of the year's activities?" The "Statement of Net Position" and the "Statement of Activities" report information about the District as a whole and about its activities in a manner that helps to answer this question.

Statement of Net Position and the Statement of Activities
VESD's combined net assets were $5.3 million as of June 30, 2018, a decrease of $0.1 million less than they were the year before. Current assets increased in cash due to increases in LCFF, one-time funding from the State and RDA revenues that are being reserved for the construction of a new school. The increase in long term liabilities is due to (1) a retrospective reduction to other postemployment benefits due to the adoption of GASB 75, and (2) increases in the Net Pension Liability.

	Governmental Activities (In millions)		Variance Positive (Negative)
	2018	2017	
Current and other assets	$ 85.1	$ 82.9	$ 2.2
Capital assets	149.8	149.2	0.6
Total Assets	234.9	232.1	2.8
Total Deferred Outflows of Resources	38.7	26.6	12.1
Current Liabilities	18.4	18.2	0.2
Long-term Liabilities	245.6	229.9	15.7
Total Liabilities	264.0	248.1	15.9
Total Deferred Inflows of Resources	4.3	5.1	(0.8)
Net assets			
Invested in capital assets, net of related debt	94.7	89.7	5.0
Restricted	35.5	36.0	(0.5)
Unrestricted	(124.9)	(120.2)	(4.7)
Total Net Position	$ 5.3	$ 5.5	$ (0.2)

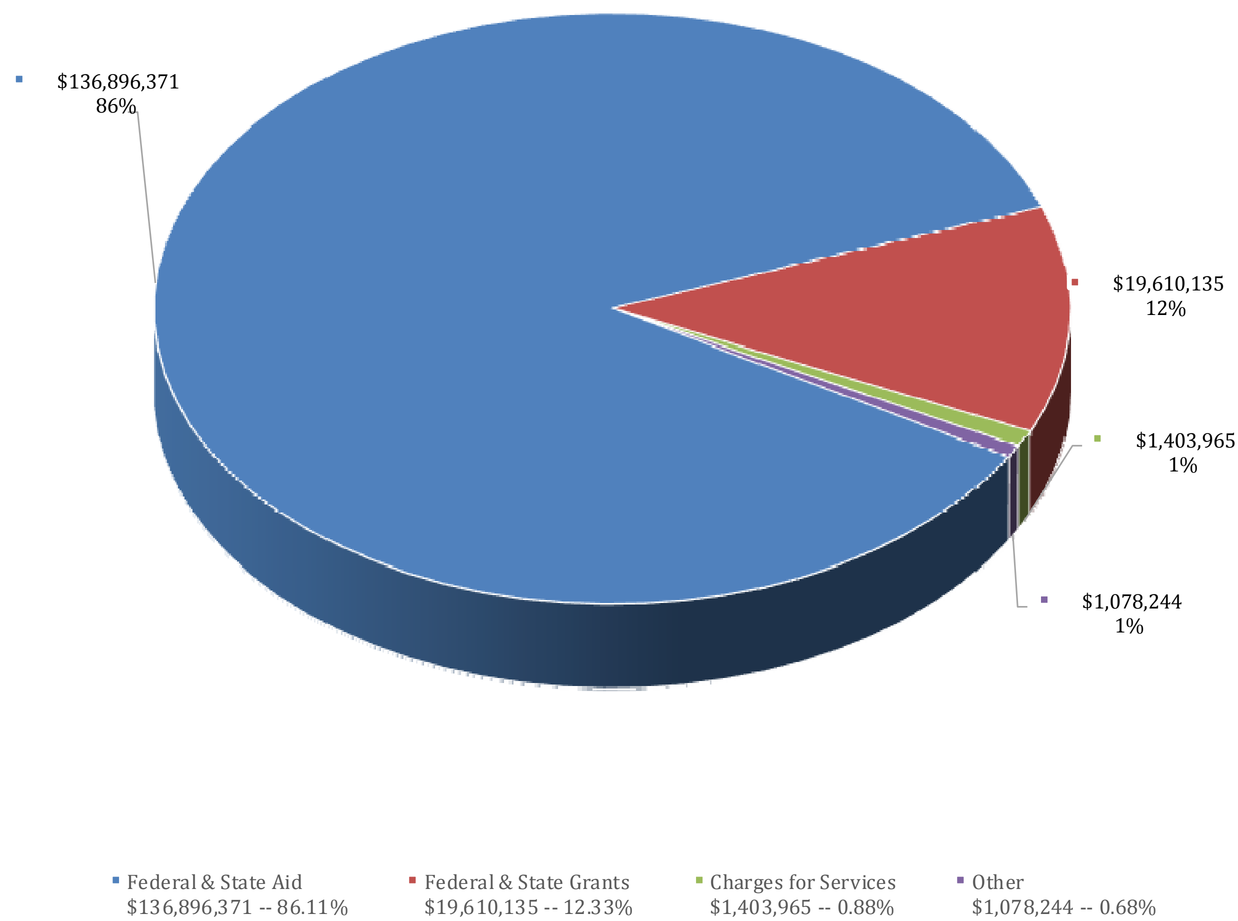
THE SCHOOL DISTRICT AS A WHOLE (continued)

Statement of Activities
Revenues for the District's governmental activities were $159.0 million, an increase of $3.5 million from last year. Total expenses were $159.2 million, a decrease of $7.7 million. The Statement of Activities represents the summary of expenses and revenues by governmental functions/programs. The table below presents the costs of eight major district activities.



THE SCHOOL DISTRICT AS A WHOLE (continued)

Statement of Activities (continued)
The chart below represents the summary of Revenues by Governmental Function.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds had combined fund balances of $67.1 million, up $1.9 million from 2016/2017. This is primarily due to an increase in LCFF Funding.

Fund Name	Fund Balance 6/30/2018	Fund Balance 6/30/2017	Increase (Decrease)
General	$ 28,669,312	$ 25,844,341	$ 2,824,971
Charter Fund	2,973,162	3,118,131	(144,969)
Cafeteria	2,689,920	3,127,908	(437,988)
Deferred Maintenance	225,734	79,374	146,360
Special Reserve – Post Employment Benefits	330,872	326,793	4,079
Building Fund	-	-	-
Capital Facilities	2,345,814	4,137,813	(1,791,999)
County School Facilities	-	-	-
Special Reserve – Capital Projects	18,474,728	15,128,502	3,346,226
Capital Projects Fund	595,367	1,297,327	(701,960)
Bond Interest and Redemption	9,742,406	8,753,056	989,350
Debt Services	1,030,023	3,347,778	(2,317,755)
Totals	$ 67,077,338	$ 65,161,023	$ 1,916,315

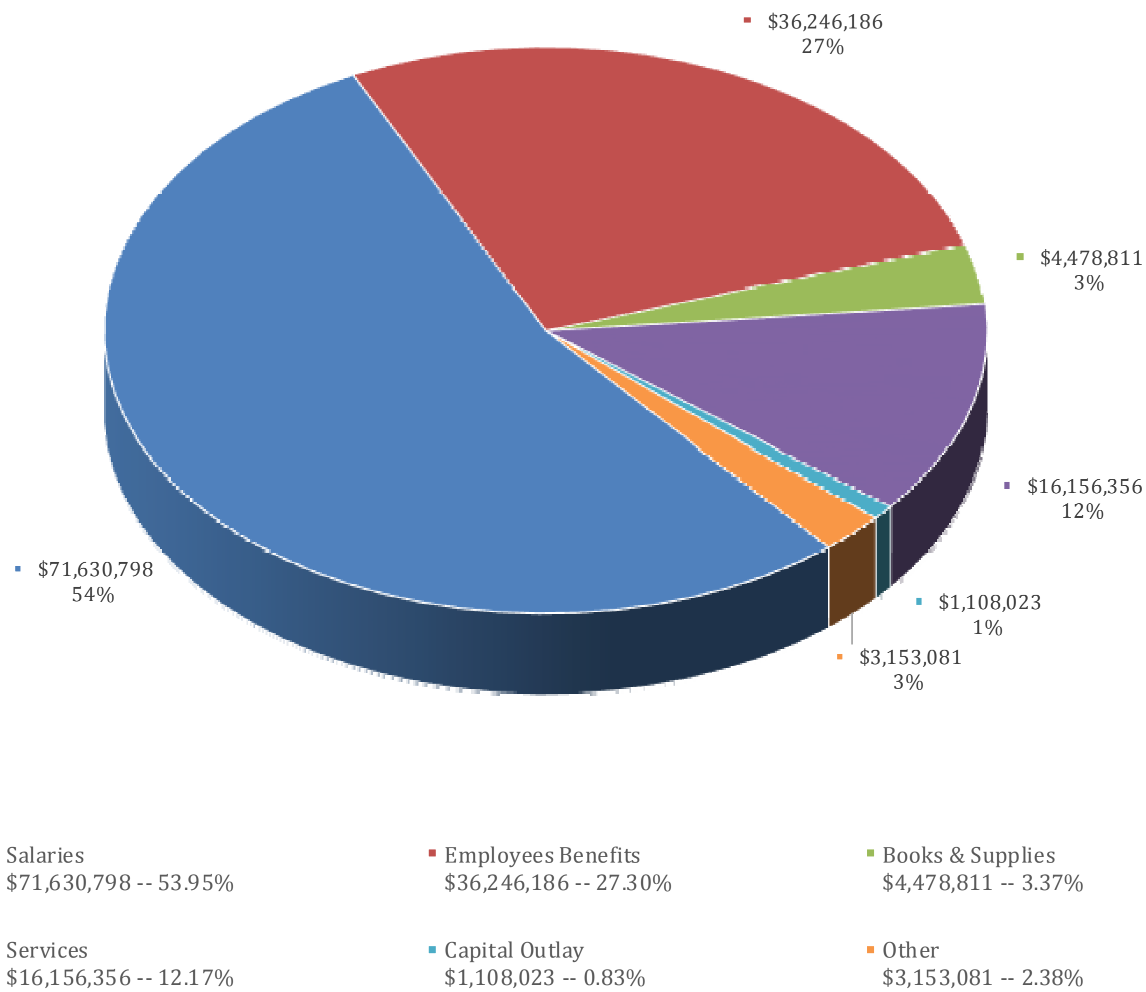
The above funds are accounting devices the District uses to keep track of specific sources of funding and spending. The most significant budgeted fund is the General Fund.

In June of each year, a budget is adopted by the Victor Elementary School District's Board of Trustees, effective July 1 through June 30. The budget is based on year ending projections from the previous year's budget, the State of California's projected budget and projected District growth. As the school year progresses, the budget is revised and updated with financial reports made public outlining the revisions. Finally, in August of the following year, the books are closed for the July 1 through June 30 fiscal year and the results are audited, yielding actual final numbers.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

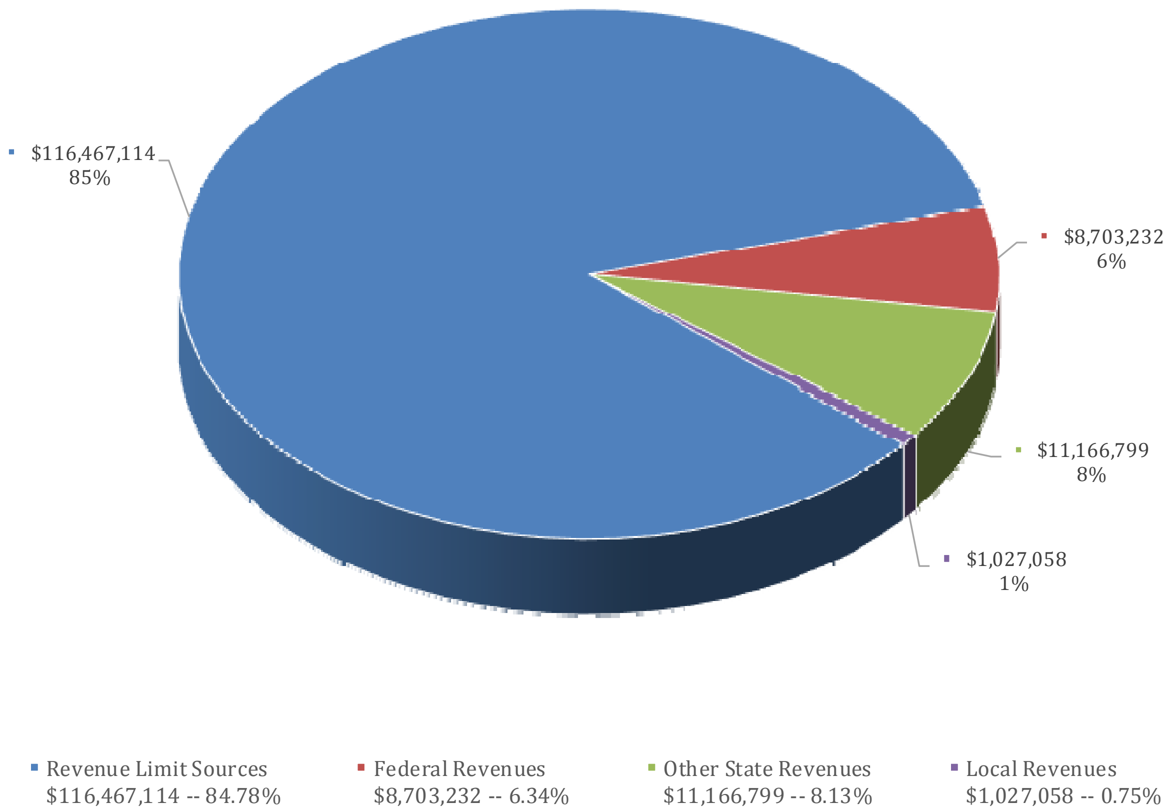
General Fund
There are several reasons for budget revisions. Most notable are the final passage of the State of California Budget and any salary increases granted by the Board of Trustees for District employees. The implementation of new instructional or categorical programs can also require budget revisions.

The General Fund ending balance in 2017/2018 increased $2.8 million from 2016/2017. Operating expenses can be classified in six categories. The chart below shows the General Fund expenditures for 2017/2018.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund (continued)
General Fund revenues can be divided into four classifications. Below is a chart showing 2017-2018 General Fund Revenues:



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
VESD's investment in capital assets amounts to $218,730,529. The table below shows the individualized amounts.

Capital Assets *	2018	2017	Increase (decrease)
Land	$ 16,311,622	$ 16,311,622	$ -
Buildings	166,632,065	165,403,740	1,228,325
Improvement of Sites	10,886,809	11,089,403	(202,594)
Construction in Progress	6,823,589	1,954,217	4,869,372
Equipment	18,076,444	17,241,347	835,097
	$ 218,730,529	$ 212,000,329	$ 6,730,200

* Amounts do not include accumulated depreciation. See Note 6 for additional details.

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

The buildings consist of fifteen schools, two charter schools, the district office, maintenance and warehouse facility, cafeteria facilities, a Family Resource Center with meeting rooms, a transportation facility and a district office.

Long Term Debt

At year-end, the District had $245.5 million in long term debt. The chart below describes the various debt vehicles and a comparison with last year.

Debt	Balance 06/30/18	Balance 06/30/17	Difference	Payment Funding
General Obligation Bonds	$ 78,309,966	$ 82,261,844	$ (3,951,878)	Paid by local property taxes
Certificates of Participation	-	1,410,000	(1,410,000)	Paid by COP investment
Post Employment Benefits	45,519,440	42,576,108	2,943,332	Paid out of VESD General Fund
Compensated Absences Payable	597,428	495,413	102,015	Paid out of VESD General Fund
Net Pensions Liability	121,095,398	103,181,647	17,913,751	Transferred to retirement benefits from PERS or STRS
Totals	$ 245,522,232	$ 229,925,012	$ 15,597,220	

FACTORS BEARING ON VESD'S FUTURE

The 2018-19 State Budget

Final Budget Package Includes $15.9 Billion in Total Reserves

The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by $700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills on June 27 and June 28, 2018.

Overall Spending

The budget assumed total state spending of $197.2 billion (excluding federal and bond funds), an increase of 7% over revised totals for 2017-18. General Fund spending in the budget package is $138.7 billion—an increase of $11.6 billion, or 9%, over the revised 2017-18 level. Special fund spending increased $1.3 billion, or 2%, over the revised 2017-18 level.

Considerable New Spending on Education

The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities.

FACTORS BEARING ON VESD'S FUTURE (continued)

The 2018-19 State Budget (continued)

Proposition 98 Establishes Minimum Spending Level
This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

Higher Proposition 98 Spending in 2016-17 and 2017-18
From the June 2017 budget plan to the June 2018 budget plan, spending increased $252 million in 2016-17 and $1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of $789 million (on top of a previous $536 million payment). After making the $1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the state is spending at the calculated minimum guarantee.

2018-19 Spending up Notably Over Revised 2017-18 Level
For 2018-19, total Proposition 98 spending across all segments is $78.4 billion, an increase of $2.8 billion (3.7%) from the revised 2017-18 level. Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67% increase in per capita personal income. Though the administration projects a 0.29% decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19
The enacted 2018-19 level is $2.4 billion (3.6%) more than the revised 2017-18 level and $3.2 billion (4.9%) more than the *2017-18 Budget Act* level. The budget increases spending per student by $579 (5.2%) over the *2017-18 Budget Act* level, bringing Proposition 98 spending per student up to $11,645.

Package Includes Mix of Ongoing and One-Time Spending
The budget includes $5.7 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the $5.7 billion, $4 billion (70%) is ongoing and $1.7 billion (30%) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes $594 million in Proposition 51 bond authority for school facility projects and $100 million in non-Proposition 98 funding for kindergarten school facilities.

FACTORS BEARING ON VESD'S FUTURE (continued)

The 2018-19 State Budget (continued)

Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates
In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71% cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7% COLA in 2018-19. The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is $3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to $61.1 billion, a 6.4% increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

Funds One-Time Discretionary Grants
The largest one-time spending initiative for K-12 education is $1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated $183 per average daily attendance). If an LEA owes any funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total $145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, it is estimated that only $202 million of the funding provided will count toward the K-12 mandates backlog. It is estimated that the total remaining mandate backlog at the end of 2018-19 will be $668 million.

All of these factors were considered in preparing the Victor Elementary School District budget for the 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at 12219 2nd Street, Victorville, California 92395.

VICTOR ELEMENTARY SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Total Governmental Activities
ASSETS	
Cash	$ 77,799,510
Investments	1,366,753
Accounts receivable	5,712,590
Inventories	214,647
Prepaid expenses	24,676
Capital assets:	
Non-depreciable assets	23,135,211
Depreciable assets	195,595,318
Less accumulated depreciation	(68,940,646)
Total assets	234,908,059
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	37,938,856
Deferred amounts on refunding	731,823
Total deferred outflows of resources	38,670,679
LIABILITIES	
Accounts payable	18,430,985
Long-term liabilities:	
Portion due or payable within one year	7,864,850
Portion due or payable after one year	116,561,984
Net pension liability	121,095,398
Total liabilities	263,953,217
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	4,323,357
NET POSITION	
Net investment in capital assets	94,751,916
Restricted for:	
Capital projects	20,820,542
Debt service	10,772,429
Education and nutrition programs	3,879,892
Unrestricted	(124,922,615)
Total net position	$ 5,302,164

VICTOR ELEMENTARY SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Net (Expense) Revenue and Changes in Net Position**
Governmental Activities					
Instructional Services:					
Instruction	$ 95,483,402	$ -	$ 9,419,614	$ 237	$ (86,063,551)
Instruction-Related Services:					
Supervision of instruction	2,041,977	-	828,821	-	(1,213,156)
Instructional library, media and technology	1,473,866	-	284,768	-	(1,189,098)
School site administration	9,061,649	-	64,319	-	(8,997,330)
Pupil Support Services:					
Home-to-school transportation	5,198,221	-	190,737	-	(5,007,484)
Food services	7,890,558	285,041	6,327,107	-	(1,278,410)
All other pupil services	7,113,243	-	547,498	-	(6,565,745)
General Administration Services:					
Data processing services	990,012	-	-	-	(990,012)
Other general administration	6,525,563	13,773	577,997	-	(5,933,793)
Plant services	15,891,745	457,200	1,157,601	-	(14,276,944)
Community services	373,461	-	-	-	(373,461)
Interest on long-term debt	4,043,388	-	-	-	(4,043,388)
Other outgo	3,132,897	647,951	211,673	-	(2,273,273)
Total Governmental Activities	$ 159,219,982	$ 1,403,965	$ 19,610,135	$ 237	(138,205,645)

General Revenues:	
Property taxes	18,765,075
Federal and state aid not restricted to specific purpose	118,131,296
Interest and investment earnings	594,597
Miscellaneous	483,410
Total general revenues	137,974,378
Change in net position	(231,267)
Net position - July 1, 2017	37,396,827
Restatement - change in accounting principle	(31,863,396)
Net position - July 1, 2017	5,533,431
Net position - June 30, 2018	$ 5,302,164

VICTOR ELEMENTARY SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2018

	General Fund	Charter School Fund	Cafeteria Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash	$ 41,748,741	$ 3,499,619	$ 1,584,247	$ 17,792,857	$ 9,742,406	$ 3,431,640	$ 77,799,510
Investments	-	-	100,000	-	-	1,266,753	1,366,753
Accounts receivable	3,996,376	29,573	1,587,407	68,925	-	30,309	5,712,590
Due from other funds	712,640	92,980	45,243	826,380	-	100,000	1,777,243
Inventories	121,660	-	92,987	-	-	-	214,647
Prepaid expenditures	22,639	2,037	-	-	-	-	24,676
Total Assets	$ 46,602,056	$ 3,624,209	$ 3,409,884	$ 18,688,162	$ 9,742,406	$ 4,828,702	$ 86,895,419
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 16,537,506	$ 407,908	$ 250,463	$ 213,434	$ -	$ 631,527	$ 18,040,838
Due to other funds	1,064,366	243,139	469,501	-	-	237	1,777,243
Total Liabilities	17,601,872	651,047	719,964	213,434	-	631,764	19,818,081
Fund Balances							
Nonspendable	194,299	2,037	103,019	-	-	-	299,355
Restricted	1,139,812	50,160	2,586,901	18,474,728	9,742,406	3,971,204	35,965,211
Committed	-	-	-	-	-	225,734	225,734
Assigned	11,158,559	2,920,965	-	-	-	-	14,079,524
Unassigned	16,507,514	-	-	-	-	-	16,507,514
Total Fund Balances	29,000,184	2,973,162	2,689,920	18,474,728	9,742,406	4,196,938	67,077,338
Total Liabilities and Fund Balances	$ 46,602,056	$ 3,624,209	$ 3,409,884	$ 18,688,162	$ 9,742,406	$ 4,828,702	$ 86,895,419

Total fund balances - governmental funds		$ 67,077,338
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 relating to governmental activities, at historical cost	218,730,529	
Accumulated depreciation	(68,940,646)	
Net:		149,789,883
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:		(390,147)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:		731,823
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	78,309,966	
Compensated absences	597,428	
Other postemployment benefits	45,519,440	
		(124,426,834)
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.		(121,095,398)
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 inflows and outflows relating to pensions for the period were:		
Deferred outflows of resources relating to pensions		37,938,856
Deferred inflows of resources relating to pensions		(4,323,357)
Total net position - governmental activities		$ 5,302,164

VICTOR ELEMENTARY SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2018

	General Fund	Charter School Fund	Cafeteria Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
LCFF sources	$ 116,467,114	$ 4,057,598	$ -	$ -	$ -	$ 1,000,000	$ 121,524,712
Federal sources	8,703,232	89,123	6,289,006	-	-	-	15,081,361
Other state sources	11,166,799	402,502	437,234	-	90,754	-	12,097,289
Other local sources	1,031,137	46,879	341,193	2,097,436	8,786,896	1,351,847	13,655,388
Total Revenues	137,368,282	4,596,102	7,067,433	2,097,436	8,877,650	2,351,847	162,358,750
EXPENDITURES							
Current:							
Instructional Services:							
Instruction	85,919,483	2,904,416	-	-	-	-	88,823,899
Instruction-Related Services:							
Supervision of instruction	2,045,217	5,243	-	-	-	-	2,050,460
Instructional library, media and technology	1,242,390	15,545	-	-	-	-	1,257,935
School site administration	7,679,725	732,523	-	-	-	-	8,412,248
Pupil Support Services:							
Home-to-school transportation	5,483,710	-	-	-	-	-	5,483,710
Food services	2,000	49	7,060,423	-	-	-	7,062,472
All other pupil services	6,698,084	153,499	-	-	-	-	6,851,583
Community services	339,439	-	-	-	-	-	339,439
General Administration Services:							
Data processing services	918,594	-	-	-	-	-	918,594
Other general administration	5,586,654	-	-	-	-	-	5,586,654
Plant services	12,708,341	929,796	144,984	5,769	-	858,227	14,647,117
Transfers of indirect costs	(341,168)	-	341,168	-	-	-	-
Capital outlay	996,537	-	-	1,463,062	-	3,665,231	6,124,830
Intergovernmental transfers	3,494,249	-	-	-	-	-	3,494,249
Debt service:							
Principal	-	-	-	-	3,555,319	1,410,000	4,965,319
Interest	-	-	-	-	4,332,981	90,945	4,423,926
Total Expenditures	132,773,255	4,741,071	7,546,575	1,468,831	7,888,300	6,024,403	160,442,435
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,595,027	(144,969)	(479,142)	628,605	989,350	(3,672,556)	1,916,315
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	-	-	41,154	2,717,621	-	-	2,758,775
Interfund transfers out	(1,765,977)	-	-	-	-	(992,798)	(2,758,775)
Total Other Financing Sources and Uses	(1,765,977)	-	41,154	2,717,621	-	(992,798)	-
Net Change in Fund Balances	2,829,050	(144,969)	(437,988)	3,346,226	989,350	(4,665,354)	1,916,315
Fund Balances, July 1, 2017	26,171,134	3,118,131	3,127,908	15,128,502	8,753,056	8,862,292	65,161,023
Fund Balances, June 30, 2018	$ 29,000,184	$ 2,973,162	$ 2,689,920	$ 18,474,728	$ 9,742,406	$ 4,196,938	$ 67,077,338

VICTOR ELEMENTARY SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental funds		$	1,916,315
Amounts reported for governmental *activities* in the statement of activities are different because:			
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is 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	7,283,623		
Depreciation expense	(6,481,219)		802,404
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 a reduction of liabilities. Expenditures for repayment of the principal portion of long term debt were:			4,965,319
In governmental funds, the enitre proceeds from disposal of capital assets are reported as revenue. In the statementof activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:			(207,715)
The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred amounts on the refunding and are amortized over the life of the liability. Deferred amounts on refunding exceeded the amount amortized during the year by:			(51,522)
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. The difference between accreted interest earned and paid for the period is:			181,708
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was:			(2,943,332)
In governmental funds, compensated absences are measured by the amount paid during the period. In the statement of activites, compensated absences are measured by the amounts earned. The difference between absences paid and compensated absences earned was:			(102,015)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:			35,501
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as 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:			214,851
In government funds, 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:			(5,042,781)
Change in net position of governmental activities		$	(231,267)

VICTOR ELEMENTARY SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2018

	Agency Funds		
	Student Body Funds	CFD Debt Service Fund	Total
ASSETS			
Cash	$ 31,801	$ -	$ 31,801
Investments	-	3,486,794	3,486,794
Accounts receivable	-	4,005	4,005
Total assets	$ 31,801	$ 3,490,799	$ 3,522,600
LIABILITIES			
Due to bondholders	$ -	$ 3,490,799	$ 3,490,799
Due to student groups	31,801	-	31,801
Total liabilities	$ 31,801	$ 3,490,799	$ 3,522,600

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Victor Elementary School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Victor Elementary School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Victor Elementary School District Financing Corporation (the "Corporation") financial activity is presented in the financial statements as the Debt Service Fund. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

The Victor Elementary School District Community Facilities Districts (CFDs) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs are not included in the long-term obligations of the *Statement of Net Position* as they are not obligations of the District. Individually prepared financial statements are not prepared for each of the CFDs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements
The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - *governmental* and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This 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 Fund for Postemployment Benefits. The Special Reserve Fund for Postemployment Benefits is not substantially composed of restricted or committed revenue sources. Because this fund does not meet the definition of special revenue funds under GASB 54, the activity in the fund is being reported within the General Fund.

Charter School Fund: This fund is used to account for the operations of the Mountain View Montessori School and Sixth Street Preparatory Charter Schools.

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

Special Reserve Fund:

Deferred Maintenance Fund: This fund is used to account for resources committed to major repair or replacement of District property.

Capital Projects Funds:

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

State School Building Lease-Purchase Fund: This fund is used to account for state apportionments provided for construction and modernization of school facilities.

Capital Project Fund for Blended Component Units: This fund is used to account for capital projects activity of the Community Facilities Districts.

Debt Service Fund:

Debt Service Fund: This fund is used to account for debt service activity of the certificates of participation issued by the Victor Elementary School District Financing Corporation.

Fiduciary Funds
Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

CFD Debt Service Fund: This fund is used to account for the accumulation of resources for, and the repayment of special tax bonds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements
The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements
Governmental funds 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

1. Cash and Cash Equivalents
The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items
Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets
Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Unearned Revenue (continued)
Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

5. Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net 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 outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net 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 will not be recognized as an inflow of resources (revenue) until that time.

6. Compensated Absences
The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Net Position (continued)

- **Restricted -** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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.

F. Minimum Fund Balance Policy

The District has not adopted a formal minimum fund balance policy, as recommended by GASB Statement No. 54; however, the District follows the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

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.

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. 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 expenditures during the reported period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements

During the 2017-18 fiscal year, the following GASB Pronouncements became effective:

1. In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits, or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

   This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

2. In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

3. In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

    - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
    - Reporting amounts previously reported as goodwill and “negative” goodwill
    - Classifying real estate held by insurance entities
    - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
    - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
    - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
    - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
    - Classifying employer-paid member contributions for OPEB
    - Simplifying certain aspects of the alternative measurement method for OPEB
    - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

4. In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2018, are reported at fair value and consisted of the following:

	Rating	Governmental Activities/Funds	Fiduciary Funds
Pooled Funds:			
Cash in County Treasury	N/A	$ 77,610,601	$ -
Total Pooled Funds		77,610,601	-
Deposits:			
Cash on hand and in banks	N/A	128,876	31,801
Cash in revolving fund	N/A	60,033	-
Total Deposits		188,909	31,801
Total Cash		$ 77,799,510	$ 31,801
Investments:			
Invesco Short-Term Treasury Portfolio	AA-	$ 236,730	$ 3,486,794
Desert Community Bank - CDs	A+	100,000	-
Bank of New York Mellon:			
Wells Fargo Treasury Plus Money Market	AAA	1,030,023	-
Total Investments		$ 1,366,753	$ 3,486,794

Investment security ratings reported as of June 30, 2018, are defined by Standard and Poors.

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions.

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)
In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the

As of June 30, 2018, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

Investments - Interest Rate Risk
The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed ten years. Investments purchased with maturity terms greater than ten years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2018 consist of the following:

			Maturity	
	Fair Value Measurement	Fair Value	Less Than One Year	One Year Through Five Years
Investment maturities:				
Invesco Short-Term Treasury Portfolio	Level 2	$ 3,723,524	$ 3,723,524	$ -
Desert Community Bank - CDs	Level 2	100,000	100,000	-
Bank of New York Mellon:				
Wells Fargo Treasury Plus Money Market	Level 2	1,030,023	1,030,023	-
Total		$ 4,853,547	$ 4,853,547	$ -

Investments - Credit Risk
The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2018, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk
The District does not place limits on the amount it may invest in any one issuer. At June 30, 2018, the District had the following investments that represent more than five percent of the District's net investments.

Invesco Short-Term Treasury Portfolio	76.7%
Wells Fargo Treasury Plus Money Market	21.2%

NOTE 2 – CASH AND INVESTMENTS (continued)

Fair Value Measurements
The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the San Bernardino County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, consisted of the following:

	Governmental Funds					
	General Fund	Charter School Fund	Cafeteria Fund	Special Reserve for Capital Outlay	Non-Major Governmental Funds	Totals
Federal Government:						
Categorical aid programs	$ 2,842,896	$ -	$ 1,465,223	$ -	$ -	$ 4,308,119
State Government:						
Lottery	512,358	17,779	-	-	-	530,137
Categorical aid programs	382,428	-	109,531	-	-	491,959
Local:						
Interest	130,752	11,794	-	68,925	18,796	230,267
Other local resources	127,942	-	12,653	-	11,513	152,108
Total	$ 3,996,376	$ 29,573	$ 1,587,407	$ 68,925	$ 30,309	$ 5,712,590

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2018, consisted of the following:

	Due To Other Funds				
	General Fund	Charter School Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay	Total
General Fund	$ -	$ 243,139	$ 469,501	$ -	$ 712,640
Charter School Fund	92,980	-	-	-	92,980
Cafeteria Fund	45,243	-	-	-	45,243
Special Reserve Fund for Capital Outlay	826,143	-	-	237	826,380
Non-Major Governemental Funds	100,000	-	-	-	100,000
Totals	$ 1,064,366	$ 243,139	$ 469,501	$ 237	$ 1,777,243

General Fund due to Charter School Fund for in-lieu and Title I revenue transfer	$ 92,980
General Fund due to Cafeteria Fund for payroll of substitutes, maintenance personnel, and accountant	45,243
General Fund due to Deferred Maintenance Fund for LCFF transfer	100,000
General Fund due to Special Revenue Fund for Capital Outlay for new school construction	826,143
Charter Schools Fund due to General Fund for clean energy project costs, utilities expenses, business office fees, and administration fees	243,139
Cafeteria Fund due to General Fund for indirect costs and health and welfare allocation	469,501
State School Building Lease/Purchase Fund due to Special Revenue Fund for Capital Outlay Projects for expenditures transfer	237
Totals	$ 1,777,243

B. Transfers to/from

Transfers to/from other funds for the year ended June 30, 2018, consisted of the following:

General Fund transfer to Cafeteria Fund for unpaid meals costs	$ 41,154
General Fund transfer to Special Reserve Fund for Capital Outlay Projects for one time fund contribution for the new school site	1,724,823
Debt Service Fund to Special Reserve Fund for Capital Outlay Projects transfer for the maturity of the CFD funds	992,798
Totals	$ 2,758,775

NOTE 5 – FUND BALANCES

At June 30, 2018, fund balances of the District's governmental funds were classified as follows:

	General Fund	Charter School Fund	Cafeteria Fund	Special Reserve for Capital Outlay	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:							
Revolving cash	$ 50,000	$ -	$ 10,032	$ -	$ -	$ -	$ 60,032
Stores inventories	121,660	-	92,987	-	-	-	214,647
Prepaid expenditures	22,639	2,037	-	-	-	-	24,676
Total Nonspendable	194,299	2,037	103,019	-	-	-	299,355
Restricted:							
Categorical programs	1,139,812	50,160	-	-	-	-	1,189,972
Nutritional services	-	-	2,586,901	-	-	-	2,586,901
Capital projects	-	-	-	18,474,728	-	2,941,181	21,415,909
Debt service	-	-	-	-	9,742,406	1,030,023	10,772,429
Total Restricted	1,139,812	50,160	2,586,901	18,474,728	9,742,406	3,971,204	35,965,211
Committed:							
Deferred maintenance program	-	-	-	-	-	225,734	225,734
Total Committed	-	-	-	-	-	225,734	225,734
Assigned:							
Facilities	2,000,000	-	-	-	-	-	2,000,000
Safety Supplemental/Concentration	2,411,489	-	-	-	-	-	2,411,489
Textbooks	2,800,000	-	-	-	-	-	2,800,000
School site carryover	1,538,519	-	-	-	-	-	1,538,519
Lottery carryover	277,791	-	-	-	-	-	277,791
Lottery revenue	1,799,888	-	-	-	-	-	1,799,888
Mountain View Montessori	-	1,836,068	-	-	-	-	1,836,068
Sixth Street Preparatory	-	1,084,897	-	-	-	-	1,084,897
Postemployment benefits	330,872	-	-	-	-	-	330,872
Total Assigned	11,158,559	2,920,965	-	-	-	-	14,079,524
Unassigned:							
Reserve for economic uncertainties	6,726,962	-	-	-	-	-	6,726,962
Remaining unassigned balances	9,780,552	-	-	-	-	-	9,780,552
Total Unassigned	16,507,514	-	-	-	-	-	16,507,514
Total	$ 29,000,184	$ 2,973,162	$ 2,689,920	$ 18,474,728	$ 9,742,406	$ 4,196,938	$ 67,077,338

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance, July 1, 2017	Additions	Decreases	Balance, June 30, 2018
Capital assets not being depreciated:				
Land	$ 16,311,622	$ -	$ -	$ 16,311,622
Construction in progress	1,954,217	5,044,275	174,903	6,823,589
Total capital assets not being depreciated	18,265,839	5,044,275	174,903	23,135,211
Capital assets being depreciated:				
Improvement of sites	11,089,403	9,000	211,594	10,886,809
Buildings	165,403,740	1,228,325	-	166,632,065
Equipment	17,241,347	1,176,926	341,829	18,076,444
Total capital assets being depreciated	193,734,490	2,414,251	553,423	195,595,318
Accumulated depreciation for:				
Improvement of sites	(5,183,741)	(418,036)	(3,879)	(5,597,898)
Buildings	(49,146,496)	(4,611,916)	-	(53,758,412)
Equipment	(8,474,898)	(1,451,267)	(341,829)	(9,584,336)
Total accumulated depreciation	(62,805,135)	(6,481,219)	(345,708)	(68,940,646)
Total capital assets being depreciated, net	130,929,355	(4,066,968)	207,715	126,654,672
Governmental activity capital assets, net	$ 149,195,194	$ 977,307	$ 382,618	$ 149,789,883

Depreciation expense is allocated to the following functions in the Statement of Activities:

Instruction	$ 4,756,116
Instructional Supervision and Administration	581
Instructional Library, Media and Technology	41,622
School Site Administration	105,488
Home-to-School Transportation	597,908
Food Services	283,486
All Other Pupil Services	2,548
All Other General Administration	180,514
Centralized Data Processing	20,404
Plant Services	492,552
	$ 6,481,219

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2018, were as follows:

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	$ 56,580,584	$ -	$ 3,555,319	$ 53,025,265	$ 3,902,159
Accreted Interest	22,858,339	3,022,973	3,204,681	22,676,631	3,747,841
Unamortized Premium	2,822,920	-	214,851	2,608,069	214,850
Total G.O. Bonds	82,261,844	3,022,973	6,974,851	78,309,966	7,864,850
Certificates of Participation	1,410,000	-	1,410,000	-	-
Compensated Absences	495,413	102,015	-	597,428	-
Other Postemployment Benefits	42,576,108	5,212,311	2,268,979	45,519,440	-
Sub-Totals	$ 126,743,365	$ 8,337,299	$ 10,653,830	$ 124,426,834	$ 7,864,850

* *Beginning balance of OPEB has been restated to reflect the implementation of GASB Statement No.75*

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the Debt Service Fund. Accumulated vacation will be paid for by the fund for which the employee worked. Other postemployment benefits are paid from the General Fund.

A. General Obligation Bonds

The District has issued general obligation bonds under different voter-approved measures, as described below. Bonds are payable solely 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 is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds.

Election of 1995

Bonds were authorized at an election of the registered voters of the District held on March 7, 1995, at which more than two-thirds of the voters authorized the issuance and sale of $14 million general obligation bonds. The bonds were issued to finance the improvement of real property in the District and to pay the costs of issuance of the bonds.

Election of 2001

Bonds were authorized at an election of the registered voters of the District held on November 6, 2001 at which more than 55 percent of the persons voting on the measure voted to authorize the issuance and sale of $30 million general obligation bonds. The bonds were issued to finance the improvement of real property in the District and to pay the costs of issuance of the bonds.

Election of 2008

On November 4, 2008, District voters approved Measure E, authorizing the District to issue up to $150 million in general obligation bonds to maintain, upgrade, and construct school facilities.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Prior-Year Defeasance of Debt
In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2018, the principal balance outstanding on the defeased debt amounted to $13,165,000.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2018, deferred amounts on refunding were $731,823.

A summary of outstanding bonds is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018
1995 Election								
1995 Issuance	5/16/1995	6/1/2020	4.7%-7.25%	$ 13,998,569	$ 3,172,505	$ -	$ 991,357	$ 2,181,148
2001 Election								
Series A	6/13/2002	8/1/2026	2.75%-5.73%	15,997,340	2,192,340	-	-	2,192,340
Series B	5/19/2005	8/1/2030	3.0%-5.1%	10,752,264	9,099,175	-	205,573	8,893,602
Series C	7/13/2006	8/1/2026	4.0%-5.0%	3,249,943	339,943	-	200,000	139,943
2008 Election								
Series A	12/3/2009	8/1/2034	2.0%-4.0%	19,999,831	4,119,831	-	665,000	3,454,831
Series B	6/3/2015	8/1/2042	3.0%	16,496,790	16,241,790	-	53,389	16,188,401
Refunding Bonds								
2014 Refunding	5/22/2014	8/1/2024	2.0%-5.0%	5,320,000	4,630,000	-	670,000	3,960,000
2015 Refunding	6/3/2015	8/1/2020	3.0%	3,555,000	2,830,000	-	725,000	2,105,000
2016 Refunding	5/12/2016	8/1/2034	3.0%-4.0%	14,170,000	13,955,000	-	45,000	13,910,000
					$ 56,580,584	$ -	$ 3,555,319	$ 53,025,265

Accreted Interest Component	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018
1995	$ 9,100,568	$ 779,021	$ 3,058,643	$ 6,820,946
2001A	3,206,472	343,819	-	3,550,291
2001B	7,227,315	833,002	144,427	7,915,890
2001C	253,091	40,402	-	293,493
2008A	2,221,352	476,731	-	2,698,083
2008B	849,541	549,998	1,611	1,397,928
	$ 22,858,339	$ 3,022,973	$ 3,204,681	$ 22,676,631

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

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

Fiscal Year	Principal	Interest	Total
2018-19	$ 3,902,159	$ 4,775,741	$ 8,677,900
2019-20	4,286,131	5,291,519	9,577,650
2020-21	3,026,252	1,571,773	4,598,025
2021-22	2,069,284	2,869,391	4,938,675
2022-23	2,022,104	3,183,096	5,205,200
2023-28	8,089,522	21,955,728	30,045,250
2028-33	11,973,591	12,611,659	24,585,250
2033-38	8,851,273	8,804,027	17,655,300
2038-43	8,804,949	9,125,426	17,930,375
Total	$ 53,025,265	$ 70,188,360	$ 123,213,625

B. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $22,415,000 as of June 30, 2018, does not represent debt of the District and, as such, does not appear in the financial statements.

NOTE 8 – JOINT VENTURES

The Victor Elementary School District participates in joint ventures under joint powers agreements with the High Desert and Inland Employee/Employer Trust (HDIEET), Southern California Schools Employee Benefits Association (SCSEBA), and Southern California Schools Risk Management (SCSRM). The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs provide property and liability insurance coverage, health and welfare benefits coverage, and workers compensation insurance coverage. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

NOTE 8 – JOINT VENTURES (continued)

Current condensed financial information is as follows:

	SCSRM June 30, 2017 (Audited)	SCSEBA June 30, 2017 (Audited)	HDIEET June 30, 2017 (Audited)
Assets	$ 69,092,311	$ 49,977,341	$ 5,907,781
Liabilities	23,878,775	14,188,582	2,457,624
Total Net Position/Assets	$ 45,213,536	$ 35,788,759	$ 3,450,157
Revenues	$ 47,852,096	$ 240,988,197	$ 5,935,334
Expenses	41,033,799	232,895,668	5,953,564
Operating Income	6,818,297	8,092,529	(18,230)
Net Non-Operating Income and Expenses	(688,269)	354,992	(7,795)
Change in Net Position/Assets	$ 6,130,028	$ 8,447,521	$ (26,025)

NOTE 9 – RISK MANAGEMENT

Property and Liability
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District participated in the SCSRM public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation
For fiscal year 2017-18, the District participated in the SCSRM JPA for workers compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

Employee Medical Benefits
The District has contracted with High Desert and Inland Employee/Employer Trust to provide employee medical benefits. The District provides life insurance benefits for management employees through SCSEBA.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. 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.

B. Construction Commitments
At June 30, 2018, the District had commitments with respect to unfinished capital projects of approximately $22,600,000 to be paid from a combination of State and local funds.

C. Litigation
The District is involved in certain legal matters that arose out of normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30.

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension 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).

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 89,707,473	$ 25,871,361	$ 3,953,803	$ 10,228,586
CalPERS	31,387,925	12,067,495	369,554	6,346,486
Total	$ 121,095,398	$ 37,938,856	$ 4,323,357	$ 16,575,072

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided
The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

NOTE 11 – PENSION PLANS (continued)

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

Benefits Provided (continued)
The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Employee Contribution Rate	10.25%	9.205%
Required Employer Contribution Rate	14.43%	14.43%
Required State Contribution Rate	9.328%	9.328%

Contributions
Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $7,764,771.

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 89,707,473
State's proportionate share of the net pension liability associated with the District	20,950,160
Total	$ 110,657,633

NOTE 11 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2018	**Fiscal Year Ending June 30, 2017**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.097002%	0.097000%	0.000002%

For the year ended June 30, 2018, the District recognized pension expense of $10,228,586. In addition, the District recognized pension expense and revenue of $945,719 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,764,771	$ -
Net change in proportionate share of net pension liability	1,155,487	-
Difference between projected and actual earnings on pension plan investments	-	2,389,160
Changes of assumptions	16,619,357	-
Differences between expected and actual experience in the measurement of the total pension liability	331,747	1,564,643
Total	$ 25,871,361	$ 3,953,803

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

NOTE 11 – PENSION PLANS (continued)

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 699,744
2020	4,188,907
2021	2,902,660
2022	562,971
2023	2,866,769
Thereafter	2,931,736
Total	$ 14,152,787

Actuarial Methods and Assumptions
Total pension liability for 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. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%

Discount Rate
The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 131,719,050
Current discount rate (7.10%)	89,707,473
1% increase (8.10%)	55,612,231

On Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $4,315,754 (9.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures. On behalf payments have been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description
Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided
CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.00%
Required Employer Contribution Rate	15.531%	15.531%

Contributions
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

NOTE 11 – PENSION PLANS (continued)

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

Contributions (continued)
The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $2,805,036.

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $31,387,925. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	Change Increase/ (Decrease)
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.131481%	0.125200%	0.006281%

For the year ended June 30, 2018, the District recognized pension expense of $6,346,486. 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
Pension contributions subsequent to measurement date	$ 2,805,036	$ -
Net change in proportionate share of net pension liability	2,467,451	-
Difference between projected and actual earnings on pension plan investments	1,085,807	-
Changes of assumptions	4,584,701	369,554
Differences between expected and actual experience in the measurement of the total pension liability	1,124,500	-
Total	$ 12,067,495	$ 369,554

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

NOTE 11 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,679,213
2020	3,804,726
2021	2,745,581
2022	(336,615)
2023	-
Thereafter	-
Total	$ 8,892,905

Actuarial Methods and Assumptions
Total pension liability for SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements, using Scale BB published by the Society of Actuaries.

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

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	5.38%
Fixed Income	19%	2.27%
Inflation Assests	6%	1.39%
Private Equity	12%	6.63%
Real Estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate
The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 46,181,695
Current discount rate (7.15%)	31,387,925
1% increase (8.15%)	19,115,253

C. Social Security
As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

D. Payables to the Pension Plans
At June 30, 2018, the District reported payables of $992,685 and $46,657 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2018.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Plan description
The District's defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided
The postretirement health plans and the District's obligation vary by employee group as described below.

Benefit types provided	Medical only	Medical only	Medical only
Duration of Benefits	10 years but not beyond Medicare Eligibility	10 years but not beyond Medicare Eligibility	10 years but not beyond Medicare Eligibility
Required Service	10 years	10 years	10 years
Minimum Age	55	55	55
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	Based on active	Based on active	Based on active

Employees covered by benefit terms
At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	85
Active employees	884
Total	969

Medicare Premium Payment (MPP) Program
The Medicare Premium Payment Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program, through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services on a monthly basis.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Total OPEB Liability

The District's total OPEB liability of $44,869,919 for the District Plan was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date. The District's proportionate share of the net MPP Program OPEB liability of $649,521 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	District Plan	MPP Program
Valuation Date	June 30, 2018	June 30, 2016
Experience Study	N/A	July 1, 2010, through June 30, 2015
Inflation	2.75 percent	N/A
Salary increases	2.75 percent	N/A
Healthcare cost trend rates	4.00 percent	3.58 percent
Retirees' share of benefit-related costs	None; District pays 100% of cost	3.7 percent for Medicare Part A, and 4.1 percent for Medicare Part B

District Plan

The discount rate is 3.8% per year net of expenses. This is based on the Bond Buyer 20 Bond Index.

The mortality assumptions are based on the 2009 CalSTRS Mortality table created by CalSTRS, the 2014 CalPERS Retiree Mortality for Miscellaneous Employees table created by CalPERS, and the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS.

MPP Program

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

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	$ 41,853,541
Changes for the year:	
Service cost	3,577,164
Interest	1,615,188
Employer contributions	(2,175,974)
Net changes	3,016,378
Balance at June 30, 2018	44,869,919
District's Proportionate Share of the Net MPP OPEB Liability	649,521
District's Total Reported Net OPEB Liability	$ 45,519,440

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

	1% Decrease 2.8%	Discount Rate 3.8%	1% Increase 4.8%
District Plan	$ 47,850,147	$ 44,869,919	$ 42,151,083

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
MPP Program	$ 719,065	$ 649,521	$ 581,875

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Changes in the Total OPEB Liability (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 3.0%	Healthcare Cost Trend Rates 4.0%	1% Increase 5.0%
District Plan	$ 42,848,090	$ 44,869,919	$ 46,544,488

	1% Decrease (2.7% Part A and 3.1% Part B)	Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
MPP Program	$ 586,942	$ 649,521	$ 711,475

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2018, the District recognized OPEB expense of $2,943,332. At June 30, 2018, the District reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

Required Supplementary Information

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VICTOR ELEMENTARY SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual*	Variance with
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 117,080,699	$ 116,484,754	$ 116,467,114	$ (17,640)
Federal Sources	7,215,157	8,846,693	8,703,232	(143,461)
Other State Sources	8,192,217	11,166,800	11,166,799	(1)
Other Local Sources	319,352	1,027,059	1,027,058	(1)
Total Revenues	132,807,425	137,525,306	137,364,203	(161,103)
Expenditures				
Current:				
Certificated Salaries	52,723,009	56,633,995	55,667,065	966,930
Classified Salaries	15,014,560	16,025,663	15,963,733	61,930
Employee Benefits	36,398,029	37,228,456	36,246,186	982,270
Books and Supplies	3,909,846	5,881,656	4,478,811	1,402,845
Services and Other Operating Expenditures	16,411,421	16,706,946	16,156,356	550,590
Capital Outlay	1,930,350	1,135,077	1,108,023	27,054
Other Outgo	2,647,177	3,153,124	3,153,081	43
Total Expenditures	129,034,392	136,764,917	132,773,255	3,991,662
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,773,033	760,389	4,590,948	3,830,559
Other Financing Sources and Uses				
Interfund Transfers Out	-	(1,765,977)	(1,765,977)	-
Net change in fund balance	3,773,033	(1,005,588)	2,824,971	3,830,559
Fund Balances, July 1, 2017	25,260,593	25,844,341	25,844,341	-
Fund Balances, June 30, 2018	$ 29,033,626	$ 24,838,753	$ 28,669,312	$ 3,830,559

* The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

VICTOR ELEMENTARY SCHOOL DISTRICT

Budgetary Comparison Schedule – Charter School Fund

For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 4,097,540	$ 4,057,598	$ 4,057,598	$ -
Federal Sources	50,387	89,123	89,123	-
Other State Sources	215,019	402,502	402,502	-
Other Local Sources	14,332	46,879	46,879	-
Total Revenues	4,377,278	4,596,102	4,596,102	-
Expenditures				
Current:				
Certificated Salaries	1,957,903	1,831,789	1,831,789	-
Classified Salaries	488,734	520,440	520,440	-
Employee Benefits	1,177,856	1,133,796	1,133,796	-
Books and Supplies	137,105	187,945	187,944	1
Services and Other Operating Expenditures	583,289	1,043,766	1,043,765	1
Capital Outlay	-	23,337	23,337	-
Total Expenditures	4,344,887	4,741,073	4,741,071	2
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,391	(144,971)	(144,969)	2
Fund Balances, July 1, 2017	2,760,018	3,118,131	3,118,131	-
Fund Balances, June 30, 2018	$ 2,792,409	$ 2,973,160	$ 2,973,162	$ 2

VICTOR ELEMENTARY SCHOOL DISTRICT
Budgetary Comparison Schedule – Cafeteria Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
Federal Sources	$ 5,971,776	$ 6,289,007	$ 6,289,006	$ (1)
Other State Sources	419,634	437,235	437,234	(1)
Other Local Sources	407,670	341,194	341,193	(1)
Total Revenues	6,799,080	7,067,436	7,067,433	(3)
Expenditures				
Current:				
Classified Salaries	2,675,434	2,802,345	2,802,183	162
Employee Benefits	1,230,295	1,397,313	1,397,389	(76)
Books and Supplies	2,636,825	2,846,634	2,846,624	10
Services and Other Operating Expenditures	147,538	151,544	151,535	9
Capital Outlay	8,500	7,676	7,676	-
Other Outgo	315,772	341,169	341,168	1
Total Expenditures	7,014,364	7,546,681	7,546,575	106
Excess (Deficiency) of Revenues Over (Under) Expenditures	(215,284)	(479,245)	(479,142)	103
Other Financing Sources and Uses				
Interfund Transfers In	-	41,154	41,154	-
Net change in fund balance	(215,284)	(438,091)	(437,988)	103
Fund Balances, July 1, 2017	2,958,917	3,127,908	3,127,908	-
Fund Balances, June 30, 2018	$ 2,743,633	$ 2,689,817	$ 2,689,920	$ 103

VICTOR ELEMENTARY SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2018

Last Ten Fiscal Years*

	2017	2016	2015	2014
CalSTRS				
District's proportion of the net pension liability	0.0970%	0.0970%	0.0960%	0.0730%
District's proportionate share of the net pension liability	$ 89,707,473	$ 78,454,570	$ 64,631,040	$ 42,659,010
State's proportionate share of the net pension liability associated with the District	20,950,160	44,669,363	34,182,604	25,759,611
Totals	$ 110,657,633	$ 123,123,933	$ 98,813,644	$ 68,418,621
District's covered-employee payroll	$ 51,636,407	$ 47,666,692	$ 43,724,989	$ 39,851,685
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.73%	164.59%	147.81%	107.04%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
District's proportion of the net pension liability	0.1315%	0.1252%	0.1187%	0.1157%
District's proportionate share of the net pension liability	$ 31,387,925	$ 24,727,077	$ 17,496,497	$ 13,134,767
District's covered-employee payroll	$ 16,773,690	$ 15,039,035	$ 13,111,078	$ 12,146,224
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.13%	164.42%	133.45%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Notes to Schedule:

Changes in Benefit Terms

A summary of the plan provisions that were used for a specific plan can be found in each plan's annual valuation report.

Change of Assumptions and Methods

CalSTRS:

The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

CalPERS:

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF B was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF B from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2017, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

VICTOR ELEMENTARY SCHOOL DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2018

Last Ten Fiscal Years*

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 7,764,771	$ 6,495,860	$ 5,114,636	$ 3,882,779
Contributions in relation to the contractually required contribution	7,764,771	6,495,860	5,114,636	3,882,779
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 53,809,916	$ 51,636,407	$ 47,666,692	$ 43,724,989
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%
CalPERS				
Contractually required contribution	$ 2,805,036	$ 2,329,530	$ 1,785,735	$ 1,543,305
Contributions in relation to the contractually required contribution	2,805,036	2,329,530	1,785,735	1,543,305
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 18,060,885	$ 16,773,690	$ 15,039,035	$ 13,111,078
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.874%	11.771%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

VICTOR ELEMENTARY SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018

Last 10 Fiscal Years*

	2018
Total OPEB liability	
Service cost	$ 3,577,164
Interest	1,615,188
Benefit payments	(2,175,974)
Net change in total OPEB liability	3,016,378
Total OPEB liability - beginning	41,853,541
Total OPEB liability - ending	$ 44,869,919
Covered-employee payroll	$ 70,615,895
Total OPEB liability as a percentage of covered-employee payroll	63.54%

Notes to Schedule:

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

VICTOR ELEMENTARY SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios – MPP Program
For the Fiscal Year Ended June 30, 2018

(Dollars in Thousands, except for District's proportionate share)

	2017
Total OPEB liability	
Interest	$ 12,928
Differences between expected and actual experience	(41)
Changes of assumptions	(31,240)
Benefit payments, including refunds of member contributions	(28,929)
Net change in total OPEB liability	(47,282)
Total OPEB liability - beginning	468,031
Total OPEB liability - ending	$ 420,749
Plan fiduciary net position	
Contributions - employer	$ 29,117
Net investment income	11
Premiums paid	(28,929)
Administrative expense	(168)
Net change in plan fiduciary net position	31
Plan fiduciary net position - beginning	10
Plan fiduciary net position - ending	$ 41
Net OPEB liability	$ 420,708
District's proportionate share of net OPEB liability	$ 649,521
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%
Covered-employee payroll	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A

Notes to Schedule:
As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

NOTE 1 – PURPOSE OF SCHEDULES

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

Schedule of Proportionate Share of the Net Pension Liability
This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions
This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

Appropriations Category	Cafeteria Fund
Employee Benefits	$ 76

Supplementary Information

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The Victor Elementary School District was established as a separate school district in 1947. The District encompasses approximately 43 square miles in some unincorporated areas of San Bernardino County as well as the city of Victorville. During the year, the District operated fifteen elementary schools (kindergarten through grade 6) and two charter schools.

GOVERNING BOARD

Member	Office	Term Expires
Clayton Moore	President	November, 2018
Joyce Chamberlain	Vice President	November, 2020
Dr. Gabriel Stine	Clerk	November, 2020
Dr. Gary Elder	Trustee	November, 2018
Karen Morgan	Trustee	November, 2018

DISTRICT ADMINISTRATORS

Jan Gonzales,
Superintendent

Lori Clark,
Assistant Superintendent, Educational Services

Debbie Betts,
Assistant Superintendent, Administrative Services

Tanya Benitez,
Assistant Superintendent, Pupil Services

Maureen Mills,
Assistant Superintendent, Personnel Services

VICTOR ELEMENTARY SCHOOL DISTRICT

Combining Balance Sheet – Non-Major Governmental Funds

June 30, 2018

	Deferred Maintenance Fund	Capital Facilities Fund	State School Building Lease-Purchase Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS						
Cash	$ 220,152	$ 2,775,772	$ 236	$ 435,480	$ -	$ 3,431,640
Investments	-	-	-	236,730	1,030,023	1,266,753
Accounts receivable	908	24,164	1	5,236	-	30,309
Due from other funds	100,000	-	-	-	-	100,000
Total Assets	$ 321,060	$ 2,799,936	$ 237	$ 677,446	$ 1,030,023	$ 4,828,702
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 95,326	$ 454,122	$ -	$ 82,079	$ -	$ 631,527
Due to other funds	-	-	237	-	-	237
Total Liabilities	95,326	454,122	237	82,079	-	631,764
Fund Balances						
Restricted	-	2,345,814	-	595,367	1,030,023	3,971,204
Committed	225,734	-	-	-	-	225,734
Total Fund Balances	225,734	2,345,814	-	595,367	1,030,023	4,196,938
Total Liabilities and Fund Balances	$ 321,060	$ 2,799,936	$ 237	$ 677,446	$ 1,030,023	$ 4,828,702

VICTOR ELEMENTARY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2018

	Deferred Maintenance Fund	Capital Facilities Fund	State School Building Lease-Purchase Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES						
LCFF sources	$ 1,000,000	$ -	$ -	$ -	$ -	$ 1,000,000
Other local sources	4,587	1,153,857	237	17,178	175,988	1,351,847
Total Revenues	1,004,587	1,153,857	237	17,178	175,988	2,351,847
EXPENDITURES						
Current:						
Plant services	858,227	-	-	-	-	858,227
Capital outlay	-	2,945,856	237	719,138	-	3,665,231
Debt service:						
Principal	-	-	-	-	1,410,000	1,410,000
Interest	-	-	-	-	90,945	90,945
Total Expenditures	858,227	2,945,856	237	719,138	1,500,945	6,024,403
Excess (Deficiency) of Revenues Over (Under) Expenditures	146,360	(1,791,999)	-	(701,960)	(1,324,957)	(3,672,556)
OTHER FINANCING SOURCES (USES)						
Interfund transfers out	-	-	-	-	(992,798)	(992,798)
Net Change in Fund Balances	146,360	(1,791,999)	-	(701,960)	(2,317,755)	(4,665,354)
Fund Balances, July 1, 2017	79,374	4,137,813	-	1,297,327	3,347,778	8,862,292
Fund Balances, June 30, 2018	$ 225,734	$ 2,345,814	$ -	$ 595,367	$ 1,030,023	$ 4,196,938

VICTOR ELEMENTARY SCHOOL DISTRICT

Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2018

	Second Period Report	Annual Report
DISTRICT	Certificate No. (CF74D5CF)	Certificate No. (281ABAE5)
Regular & Extended Year ADA:		
Transitional Kindergarten through Third	6,728.52	6,721.64
Fourth through Sixth	5,080.66	5,066.76
Total Regular & Extended Year ADA	11,809.18	11,788.40
Special Education-Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	-	0.31
Fourth through Sixth	5.33	4.64
Total Special Education-Nonpublic Nonsectarian Schools	5.33	4.95
Total ADA	11,814.51	11,793.35

	Second Period Report	Annual Report
MOUNTAIN VIEW MONTESSORI CHARTER	Certificate No. (E6B94A6A)	Certificate No. (36BE81B9)
Regular ADA:		
Transitional Kindergarten through Third	139.96	139.49
Fourth through Sixth	62.00	62.00
Total Regular ADA	201.96	201.49
Total Classroom Based ADA	201.53	201.02

	Second Period Report	Annual Report
SIXTH STREET PREPARATORY CHARTER	Certificate No. (226DA09C)	Certificate No. (30BB2EF6)
Regular ADA:		
Transitional Kindergarten through Third	153.48	151.95
Fourth through Sixth	88.18	88.03
Total Regular ADA	241.66	239.98
Total Classroom Based ADA	239.21	237.86

DISTRICT

Grade Level	Required Minutes	2017-2018 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	36,315	180	Complied
Grade 1	50,400	54,135	180	Complied
Grade 2	50,400	54,135	180	Complied
Grade 3	50,400	54,135	180	Complied
Grade 4	54,000	54,135	180	Complied
Grade 5	54,000	54,135	180	Complied
Grade 6	54,000	54,135	180	Complied

MOUNTAIN VIEW MONTESSORI CHARTER SCHOOL

Grade Level	Required Minutes	2017-2018 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	59,730	180	Complied
Grade 1	50,400	59,175	180	Complied
Grade 2	50,400	59,175	180	Complied
Grade 3	50,400	59,175	180	Complied
Grade 4	54,000	59,175	180	Complied
Grade 5	54,000	59,175	180	Complied
Grade 6	54,000	59,175	180	Complied

SIXTH STREET PREP SCHOOL

Grade Level	Required Minutes	2017-2018 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	40,785	180	Complied
Grade 1	50,400	54,135	180	Complied
Grade 2	50,400	54,135	180	Complied
Grade 3	50,400	54,135	180	Complied
Grade 4	54,000	54,135	180	Complied
Grade 5	54,000	54,135	180	Complied
Grade 6	54,000	54,135	180	Complied

VICTOR ELEMENTARY SCHOOL DISTRICT

Schedule of Financial Trends and Analysis

For the Fiscal Year Ended June 30, 2018

General Fund	(Budget) 2019 [3]	2018 [2]	2017	2016
Revenues and other financing sources	$ 147,157,315	$ 137,364,203	$ 131,874,091	$ 119,732,803
Expenditures	138,332,557	132,773,255	125,326,121	111,110,629
Other uses and transfers out	4,063,411	1,765,977	7,929,290	-
Total outgo	142,395,968	134,539,232	133,255,411	111,110,629
Change in fund balance (deficit)	4,761,347	2,824,971	(1,381,320)	8,622,174
Ending fund balance	$ 33,430,659	$ 28,669,312	$ 25,844,341	$ 27,225,661
Available reserves [1]	$ 18,698,217	$ 16,507,514	$ 16,775,733	$ 14,690,290
Available reserves as a percentage of total outgo	13.1%	12.3%	12.6%	13.2%
Total long-term debt	$ 237,657,382	$ 245,522,232	$ 198,061,616	$ 179,057,427
Average daily attendance at P-2	11,857	11,815	11,711	11,300

The General Fund balance has increased by $1,443,651 over the past two years. The fiscal year 2018-19 adopted budget projects an increase of $4,761,347. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit in only one of the past three years, and anticipates incurring an operating surplus during the 2018-19 fiscal year. Long-term debt has increased by $66,464,805 over the past two years.

Average daily attendance has increased by 515 over the past two years. An increase of 42 ADA is anticipated during fiscal year 2018-19.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

[3] As of September, 2018.

There were no differences between the Annual Financial and Budget Report and the Audited Financial Statements in any funds.

VICTOR ELEMENTARY 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	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	$ 982,047	
National School Lunch Program	10.555	13523	4,758,249	
USDA Donated Foods	10.555	N/A	520,451	
Summer Food Service Operation	10.559	13004	28,259	
Total Child Nutrition Cluster				$ 6,289,006
Forest Reserve Funds	10.665	10044		679
Total U.S. Department of Agriculture				6,289,685
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		5,198,813
Title II, Part A, Supporting Effective Instruction State Grant	84.367	14341		632,565
Title III, Limited English Proficiency	84.365	14346		207,022
Title IV, Part B, 21st Century Community Learning Centers	84.287	14349		127,121
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster (IDEA)				
Passed through Desert/Mountain SELPA				
Local Assistance Entitlement	84.027	13379	1,698,740	
Local Assistance Entitlement, Private Schools	84.027	10115	1,395	
IDEA Preschool Grants, Part B, Section 619	84.173	13430	65,843	
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	201,970	
Total Special Education (IDEA) Cluster				1,967,948
Total U.S. Department of Education				8,133,469
U.S. Department of Health & Human Services:				
Medicaid Cluster:				
Medi-Cal Administrative Activities (MAA)	93.778	10060	486,303	
Medi-Cal Billing Option	93.778	10013	171,904	
Total Medicaid Cluster				658,207
Total U.S. Department of Health & Human Services				658,207
Total Expenditures of Federal Awards				$ 15,081,361

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

VICTOR ELEMENTARY SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2018

Charter School	Inclusion in Financial Statements
Sixth Street Prep School (07280)	Included
Mountain View Montessori Charter School (08587)	Included

NOTE 1 – PURPOSE OF SCHEDULES

Combining Financial Statements
These financial statements report the financial activity of the individual non-major funds.

Schedule of Average Daily Attendance (ADA)
Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time
The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards
The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

There were no differences between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

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

Other Independent Auditors' Reports

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

Board of Trustees
Victor Elementary School District
Victorville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Victor Elementary School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Victor Elementary School District's basic financial statements, and have issued our report thereon dated December 11, 2018.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Victor Elementary 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 the Victor Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Victor Elementary School District's internal control.

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

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

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

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

Nigro & Nigro, PC

Murrieta, California
December 11, 2018

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Victor Elementary School District
Victorville, California

Report on State Compliance
We have audited Victor Elementary School District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Victor Elementary School District's state government programs as noted on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Victor Elementary School District's state programs based on our audit of the types of compliance requirements referred to on the following page. 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Victor Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

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Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Victor Elementary School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Nigro & Nigro, PC

Murrieta, California
December 11, 2018

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

Board of Trustees
Victor Elementary School District
Victorville, California

Report on Compliance for Each Major Federal Program
We have audited Victor Elementary 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 Victor Elementary School District's major federal programs for the year ended June 30, 2018. Victor Elementary School District's major federal programs are identified in the summary of auditors' 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.

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

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

Opinion on Each Major Federal Program
In our opinion, Victor Elementary 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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

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Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Nigro & Nigro, PC

Murrieta, California
December 11, 2018

Findings and Questioned Costs

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516?	No

Ide nn

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A, Basic Grants Low-Income and Neglected

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

State Awards

Type of auditors' report issued on compliance for state programs:	Unmodified

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2017-18.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2017-18.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs in 2017-18.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2017-001: School Accountability Report Card	In accordance with Education Code §33126, the school is to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Ed Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1st of each year. he District reported information on the SARC that was inconsistent with the Facilities Inspection Tool (FIT) for one of the three schools selected. At Sixth Street Prep, the SARC reported overall as "Good", however the FIT indicates that the actual condition was "Exemplary".	72000	We recommend that an employee verify the information presented in the SARC. This information is essential to present the image of the school fairly to the public. In addition, the SARCs should be published on an annual basis by February 1st.	Implemented.

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Statistical Section

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Employees

Table 1 summarizes the number of certificated, classified, and total number of employees employed by the District for School Year 2003-2004 through School Year 2017-2018.

Table 1
District Employees School Year 2003-2004 through School Year 2017-2018

School Year	Certificated Employees	Classified Employees	Total Employees	Percent Change
2003-04	425	369	794	9.97
2004-05	449	373	822	3.53
2005-06	490	478	968	17.76
2006-07	502	458	960	(0.83)
2007-08	512	473	985	2.60
2008-09	499	496	995	1.02
2009-10	474	478	952	(4.32)
2010-11	448	437	885	(7.04)
2011-12	410	471	881	(0.45)
2012-13	416	483	899	2.04
2013-14	497	523	1,020	13.46
2014-15	530	533	1,063	4.22
2015-16	551	561	1,112	4.61
2016-17	580	717	1,297	16.64
2017-18	607	600	1,207	6.93

Source: CDE Dataquest/CALPADS

Assessed Valuation of Taxable Property

The secured, unsecured, and total assessed valuations of taxable property within the District for Fiscal Year 2003-2004 through Fiscal Year 2017-2018 is listed in Table 2 below.

Table 2
Assessed Valuation of Taxable Property FY 2003-2004 Through FY 2017-2018

Fiscal Year	Secured	Utility	Unsecured	Total	Percent Change
2003-04	3,177,598,438	3,587,227	208,706,290	3,389,891,955	6.37
2004-05	3,735,835,198	3,469,739	201,601,621	3,940,906,558	16.25
2005-06	4,543,472,358	4,562,512	209,923,340	4,757,958,210	20.73
2006-07	5,752,494,500	4,412,717	231,139,428	5,988,046,645	25.85
2007-08	6,833,257,176	2,199,050	275,315,476	7,110,771,702	18.75
2008-09	6,821,489,419	651,973	405,503,463	7,227,644,855	1.64
2009-10	5,594,892,328	652,103	428,656,012	6,024,200,443	(16.65)
2010-11	5,055,201,287	652,167	380,200,871	5,436,054,325	(9.76)
2011-12	4,972,756,761	622,310	365,294,695	5,338,673,766	(1.79)
2012-13	4,953,215,359	622,316	354,967,297	5,308,804,972	(0.55)
2013-14	5,058,895,816	622,305	401,708,772	5,461,226,893	2.87
2014-15	5,427,907,300	321,948	409,283,718	5,837,512,966	6.89
2015-16	5,749,393,992	321,928	418,580,409	6,168,296,329	5.66
2016-17	6,042,649,816	321,863	379,028,458	6,422,000,137	4.11
2017-18	6,354,033,716	321,839	349,497,528	6,703,853,083	4.39

Source: County of San Bernardino, Office of the Auditor-Controller.

Typical Total Tax Rates
Table 3 summarizes the total ad valorem tax rates levied by all taxing entities in a typical Tax Rate area with the District for Fiscal Year 2004-05 through Fiscal Year 2017-18.

Table 3
Summary of *Ad Valorem* Tax Rates

	2004-05	2005-06	2006-07	2007-08	2008-09
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Victor Valley Union HSD	0.0314	0.0215	0.0185	0.0162	0.0167
Victor Elementary District	0.0375	0.0369	0.0335	0.0307	0.0344
San Bernardino County Service Area No. 64	0.0000	0.0000	0.0000	0.0000	0.0000
Total All Property	1.0689%	1.0584%	1.0520	1.0469	1.0511
Mojave Water Agency					
Land Only	0.1125%	0.1125%	0.1125	0.1125	0.1125
Land and Improvements	0.0550	0.0550	0.0550	0.0550	0.0550

	2009-10	2010-11	2011-12	2012-13	2013-14
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Victor Valley Union HSD	0.0525	0.0574	0.0619	0.0768	0.0792
Victor Elementary District	0.0480	0.0900	0.0932	0.1026	0.1086
San Bernardino County Service Area No. 64	0.0000	0.0000	0.0000	0.0000	0.0000
Total All Property	1.1005	1.1474	1.1551	1.1794	1.1878
Mojave Water Agency					
Land Only	0.1125	0.1125	0.1125	0.1125	0.1125
Land and Improvements	0.0550	0.0550	0.0550	0.0550	0.0550

	2014-15	2015-16	2016-17	2017-18
General	1.0000%	1.0000%	1.0000%	1.0000%
Victor Valley Union HSD	0.0770	0.0716	0.0986	0.0915
Victor Elementary District	0.1022	0.1124	0.1162	0.1216
San Bernardino County Service Area No. 64	0.0000	0.0000	0.0000	0.0000
Total All Property	1.1792	1.1840	1.2148	1.2131
Mojave Water Agency				
Land Only	0.1125	0.1125	0.1125	0.1125
Land and Improvements	0.0550	0.0550	0.0550	0.0550

Source: County of San Bernardino, Office of the Auditor/Controller.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Victor Elementary School District (the "District") in connection with the issuance of $______________ of the District's Election of 2008 General Obligation Bonds, Series C (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of Trustees of the District adopted on March 13, 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 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Financial Obligation" shall mean (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Participating Underwriter" shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2018-19 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice in a timely manner to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) state funding received by the District for the last completed fiscal year;

(b) average daily attendance of the District for the last completed fiscal year;

(c) outstanding District indebtedness;

(d) assessed valuation of taxable property within the District as shown on the recent equalized assessment role;

(e) to the extent the County no longer participates in the Teeter Plan, information regarding secured tax charges and delinquencies on taxable property within the District, as of the last completed fiscal year; and

(f) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the

entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled bond calls.

4. unless described under Section 5(a)(5) above material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

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

7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

8. incurrence of a Financial Obligation, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the District, any of which affect bondholders.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this

Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _______________, 2019

VICTOR ELEMENTARY SCHOOL DISTRICT

By: ____

Debbie Betts,
Assistant Superintendent, Administrative Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: VICTOR ELEMENTARY SCHOOL DISTRICT

Name of Bond Issue: Election of 2008 General Obligation Bonds, Series C

Date of Issuance: _______________, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

VICTOR ELEMENTARY SCHOOL DISTRICT

By _______[form only; no signature required]_________

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APPENDIX D

ACCRETED VALUES TABLE

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APPENDIX E

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF VICTORVILLE AND SAN BERNARDINO COUNTY

The following information regarding the City of Victorville (the "City"), and San Bernardino County (the "County") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the City or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District, Bond Counsel, the Underwriter or the Financial Advisor.

General

The City of Victorville. The City is located 2,875 feet above sea level in the southwestern portion of the County, and has a high desert climate. The City has a total of approximately 74 square miles, with less than a square mile of water. It was established by a railroad station built along the Mojave River in 1885 and became one of the corridors of U.S. Route 66. It is now home to the Southern California Logistics Airport, an aerospace services hub. The City was incorporated on September 21, 1962 and is a charter city. The City is governed by a five member elected city council under a council-manager form of government.

San Bernardino County. San Bernardino County is located in the southern portion of the State of California (the "State"). The County is bordered by the State of Nevada and the State of Arizona to the east, Riverside County to the south, Inyo County to the north, and Kern, Los Angeles and Orange Counties to the west. It is the fifth most populous county in California and the twelfth most populous in the United States, and was established on April 26, 1853. The County has an area of 20,160 square miles, with more than three-quarters of the area vacant and covered by desert, forest and mountain ranges. A charter law county, the County is governed by a five-member Board of Supervisors, each elected from their districts. It is experiencing strong employment growth, especially due to expanding e-commerce, with fulfillment centers in the County. Manufacturing has also recently added to the County's economic base.

Population

The following table shows historical population figures for the City, the County and the State for the past 10 years.

POPULATION ESTIMATES
2009 through 2018
City of Victorville, San Bernardino County, and State of California

Year[1]	City of Victorville	San Bernardino County	State of California
2009	112,252	2,019,432	36,966,713
2010[2]	115,903	2,035,210	37,253,956
2011	117,733	2,054,451	37,529,913
2012	119,118	2,070,638	37,874,977
2013	120,717	2,085,944	38,234,391
2014	121,365	2,100,689	38,568,628
2015	122,559	2,120,672	38,912,464
2016	123,233	2,133,906	39,179,627
2017	123,944	2,155,590	39,500,973
2018	123,701	2,174,938	39,809,693

(1) As of January 1.
(2) As of April 1.
Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2009, 2011-18 (2000 and 2010 Demographic Research Unit Benchmark): California Department of Finance for January 1.

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Income

The following table summarizes per capita personal income for the County, the State and the United States for the past 10 years that statistics are currently available.

PER CAPITA PERSONAL INCOME
2008 through 2017
San Bernardino County, State of California and the United States

Year	San Bernardino County	State of California	United States
2008	$30,150	$43,895	$40,904
2009	29,122	42,050	39,284
2010	29,557	43,609	40,545
2011	31,051	46,145	42,727
2012	31,703	48,751	44,582
2013	32,404	49,173	44,826
2014	34,218	52,237	47,025
2015	36,245	55,679	48,940
2016	37,514	57,497	49,831
2017	38,816	59,796	51,640

Note: Per capital personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010-2017 reflect county population estimates available as of March 2018. Last updated: November 15, 2018 – new statistics for 2017; revised statistics for 2001-2016. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Principal Employers

The following tables list the principal employers located in the County for the most recent year that statistics are available.

PRINCIPAL EMPLOYERS
2017-2018
San Bernardino County

Employer Name	Industry	Number of Employees
County of San Bernardino	Public Administration	>10,000
Loma Linda University Medical Center	Services: Educational Services	>10,000
Amazon	Motor Freight Transportation and Warehousing	>10,000
State of California	Public Administration	>10,000
Kaiser Permanente	Services: Health Services	5,000 – 9,999
Wal-Mart	Retail Trade: General Merchandise Stores	5,000 – 9,999
San Bernardino City Unified School District	Services: Educational Services	5,000 – 9,999
Stater Brothers	Retail Trade: Food Stores	5,000 – 9,999
U.S. Government	Public Administration	5,000 – 9,999
United Parcel Service	Motor Freight Transportation and Warehousing	5,000 – 9,999

Note: Due to the confidentiality of reporting number of employees, ranges have been provided.
Source: County of San Bernardino 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2018.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2013 through 2017 for the City, the County, the State and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES
2013 through 2017[(1)]
City of Victorville, San Bernardino County, State of California and United States

Year and Area	Labor Force	Employment[(2)]	Unemployment	Unemployment Rate (%)[(3)]
2013				
City of Victorville	43,100	38,600	4,500	10.4
San Bernardino County	896,600	809,100	87,500	9.8
State of California	18,625,000	16,958,400	1,666,600	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
City of Victorville	43,600	39,800	3,700	8.6
San Bernardino County	907,100	834,500	72,600	8.0
State of California	18,758,400	17,351,300	1,407,100	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
City of Victorville	44,200	41,100	3,000	6.9
San Bernardino County	921,000	862,000	59,100	6.4
State of California	18,896,500	17,724,800	1,171,700	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
City of Victorville	44,900	42,100	2,700	6.1
San Bernardino County	935,600	882,200	53,400	5.7
State of California	19,093,700	18,048,800	1,044,800	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Victorville	44,600	41,400	3,200	7.1
San Bernardino County	950,700	904,200	46,600	4.9
State of California	19,312,000	18,393,100	918,900	4.8
United States	160,320,000	153,337,000	6,982,000	4.4

Note: Data is not seasonally adjusted.
(1) Annual averages, unless otherwise specified.
(2) Includes persons involved in labor-management trade disputes.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2017 Benchmark.

Industry

The County is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "MSA"). The distribution of employment in the MSA is presented in the following table for the last 5 years. These figures may be multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2013 through 2017
San Bernardino County (Riverside-San Bernardino-Ontario MSA)

Category	2013	2014	2015	2016	2017
Total Farm	14,500	14,400	14,800	14,600	14,400
Total Nonfarm	1,233,300	1,289,300	1,353,100	1,401,900	1,451,600
Total Private	1,008,100	1,060,500	1,119,8900	1,159,600	1,201,600
Goods Producing	158,600	170,200	183,000	191,500	196,600
Mining and Logging	1,200	1,300	1,300	900	900
Construction	70,000	77,600	85,700	92,000	97,000
Manufacturing	87,300	91,300	96,100	98,600	98,700
Durable Goods	57,300	60,200	63,100	64,400	63,900
Nondurable Goods	30,100	31,100	33,000	34,200	34,800
Service Providing	1,074,700	1,119,100	1,170,100	1,210,500	1,255,000
Private Service Producing	849,600	890,300	936,800	968,200	1,005,000
Trade, Transportation and Utilities	299,700	314,900	333,200	348,100	366,000
Wholesale Trade	56,400	58,900	61,600	62,800	63,700
Retail Trade	164,800	169,400	174,300	178,000	182,100
Transportation, Warehousing and Utilities	78,500	86,600	97,400	107,300	120,200
Information	11,500	11,300	11,400	11,500	11,300
Financial Activities	41,800	42,900	43,900	44,600	44,500
Professional and Business Services	131,900	138,700	147,400	145,000	147,200
Educational and Health Services	187,600	194,800	205,100	214,300	224,800
Leisure and Hospitality	135,900	144,800	151,700	160,200	165,700
Other Services	41,100	43,000	44,000	44,600	45,600
Government	225,200	228,800	233,300	242,300	150,000
Total, All Industries	1,247,800	1,303,700	1,367,900	1,416,600	1,466,000

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment. March 2017 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the City and the County from 2013 through 2017 are shown in the following tables. Data for 2018 is not yet available.

ANNUAL TAXABLE SALES
2013 through 2017
City of Victorville
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2013	2,047	$1,449,012	2,585	$1,583,176
2014	2,146	1,550,616	2,694	1,706,028
2015	--	1,628,903	--	1,775,380
2016	--	1,671,388	--	1,820,652
2017		1,707,723		1,862,148

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 on are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

ANNUAL TAXABLE SALES
2013 through 2017
San Bernardino County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2013	32,986	$21,173,875	46,632	$31,177,823
2014	34,455	22,240,376	48,349	33,055,967
2015	--	23,142,827	--	35,338,556
2016	--	24,242,145	--	36,981,694
2017		25,341,772		38,137,915

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 on are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the City and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
City of Victorville
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$21,908	$13,063	$22,504	$31,403	$51,646
Non-Residential	14,273	23,598	18,442	37,068	36,404
Total	$36,181	$36,661	$40,946	$68,471	$88,050
Units					
Single Family	82	44	83	112	162
Multiple Family	0	0	0	0	0
Total	82	44	83	112	162

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
San Bernardino County
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$666,166	$708,471	$1,056,572	$888,142	$1,366,023
Non-Residential	768,169	958,267	1,146,722	994,282	1,285,597
Total	$1,434,335	$1,666,738	$2,203,294	$1,882,424	$2,651,620
Units					
Single Family	1,874	1,937	2,753	2,896	4,253
Multiple Family	1,439	1,266	1,159	976	2,578
Total	3,313	3,203	3,912	3,872	6,831

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

APPENDIX F

SAN BERNARDINO COUNTY INVESTMENT POOL

The following information concerning the San Bernardino County Treasury Pool (the "Treasury Pool") has been provided by the Treasurer of the County (the "Treasurer"), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. The District, the Municipal Advisor and the Underwriter have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Municipal Advisor nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Treasurer at http://www.San Bernardinotaxcollector.org/; however, the information presented on such website is not incorporated herein by any reference

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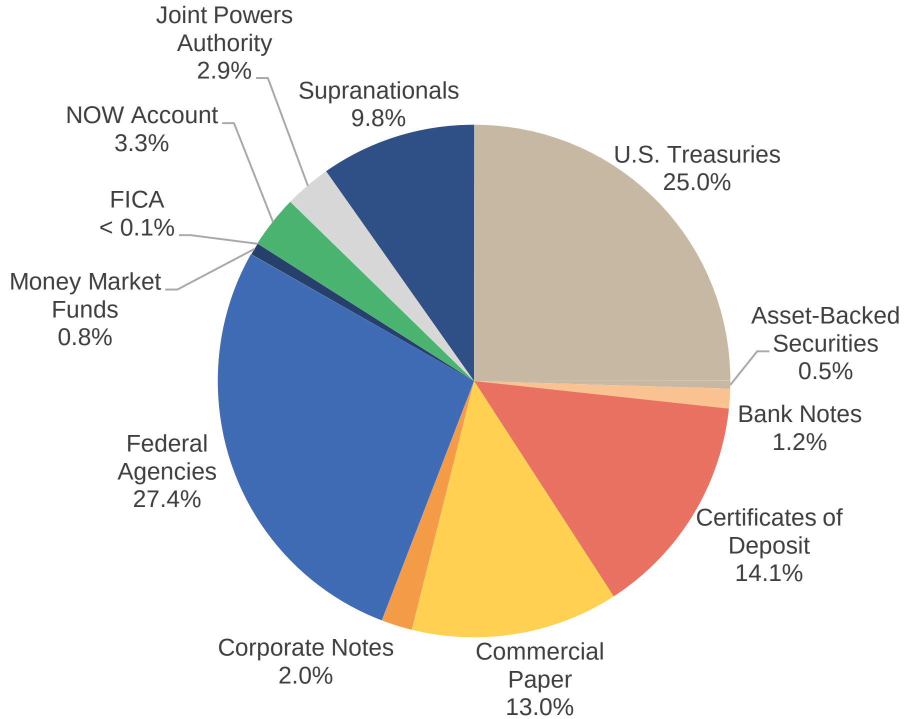
San Bernardino County Pool Summary (as of 3/31/2019)

Security Type	Par Value	Amortized Cost	Market Value	Market % of Portfolio	Yield to Maturity at Cost	Wtd. Avg. Maturity	Modified Duration
Asset-Backed Securities	32,500,000.00	32,496,944.42	32,633,141.00	0.5%	2.85%	1245	1.61
Bank Notes	85,000,000.00	84,979,804.10	85,066,275.00	1.2%	2.67%	655	1.72
Certificates of Deposit	965,000,000.00	965,000,000.00	965,236,587.55	14.1%	2.54%	84	0.23
Collateralized CD	0.00	0.00	0.00	-	-	-	-
Commercial Paper	895,000,000.00	891,361,158.15	891,342,565.00	13.0%	2.58%	56	0.15
Corporate Notes	134,250,000.00	133,646,002.49	134,103,874.50	2.0%	2.50%	552	1.45
Federal Agencies	1,868,347,000.00	1,866,466,397.55	1,869,335,460.06	27.4%	2.13%	596	1.56
Money Market Funds	52,000,000.00	52,000,000.00	52,000,000.00	0.8%	2.30%	1	-
Municipal Debt	0.00	0.00	0.00	-	-	-	-
Repurchase Agreements	0.00	0.00	0.00	-	-	-	-
Bank Deposit Account	1,000,000.00	1,000,000.00	1,000,000.00	0.0%	2.37%	1	-
NOW Account	225,000,000.00	225,000,000.00	225,000,000.00	3.3%	2.60%	1	-
Joint Powers Authority	200,000,000.00	200,000,000.00	200,000,000.00	2.9%	2.59%	1	-
Supranationals	670,000,000.00	669,979,853.10	669,259,600.00	9.8%	1.72%	413	1.08
U.S. Treasuries	1,725,000,000.00	1,710,920,585.50	1,706,024,200.00	25.0%	1.97%	573	1.52
Total Securities	**6,853,097,000.00**	**6,832,850,745.31**	**6,831,001,703.11**	**100.0%**	**2.21%**	**391**	**1.03**
Cash Balance	206,061,747.96	206,061,747.96	206,061,747.96				
Total Investments	**7,059,158,747.96**	**7,038,912,493.27**	**7,037,063,451.07**				
Accrued Interest		25,217,858.24	25,217,858.24				
Total Portfolio	**7,059,158,747.96**	**7,064,130,351.51**	**7,062,281,309.31**				

1. Yield for the money market funds is a weighted average of the month-end yields for the Federated, Goldman, and Fidelity money market funds.
2. Statistics for the total portfolio include money market funds.
3. Market prices are derived from closing bid prices as of the last business day of the month as supplied by F.T. Interactive Data, Bloomberg, or Telerate.

Sector Distribution

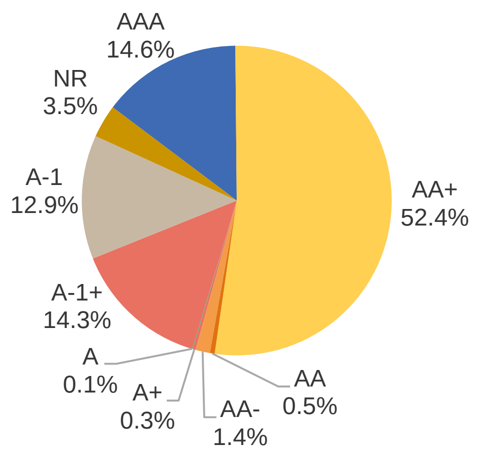


Sector	Market Value
Asset-Backed Securities	$32,633,141
Bank Notes	$85,066,275
Certificates of Deposit	$965,236,588
Collateralized CD	$0
Commercial Paper	$891,342,565
Corporate Notes	$134,103,874
Federal Agencies	$1,869,335,460
Money Market Funds	$52,000,000
Municipal Debt	$0
Repurchase Agreements	$0
FICA	$1,000,000
NOW Account	$225,000,000
Joint Powers Authority	$200,000,000
Supranationals	$669,259,600
U.S. Treasuries	$1,706,024,200

Percentages may not sum to 100% due to rounding.

Credit Quality Distribution

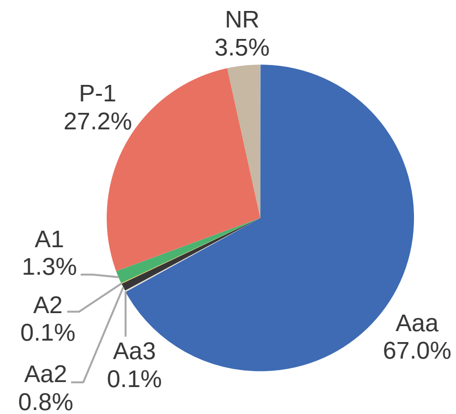
S&P RATINGS



Credit Rating	Market Value
A-1+ (Short-Term)	$974,078,802
A-1 (Short-Term)	$882,500,350
AAA (Long-Term)	$996,562,536
AA+ (Long-Term)	$3,580,336,960
AA (Long-Term)	$34,241,155
AA- (Long-Term)	$101,930,182
A+ (Long-Term)	$20,268,147
A (Long-Term)	$5,045,360
Not Rated	$236,038,211

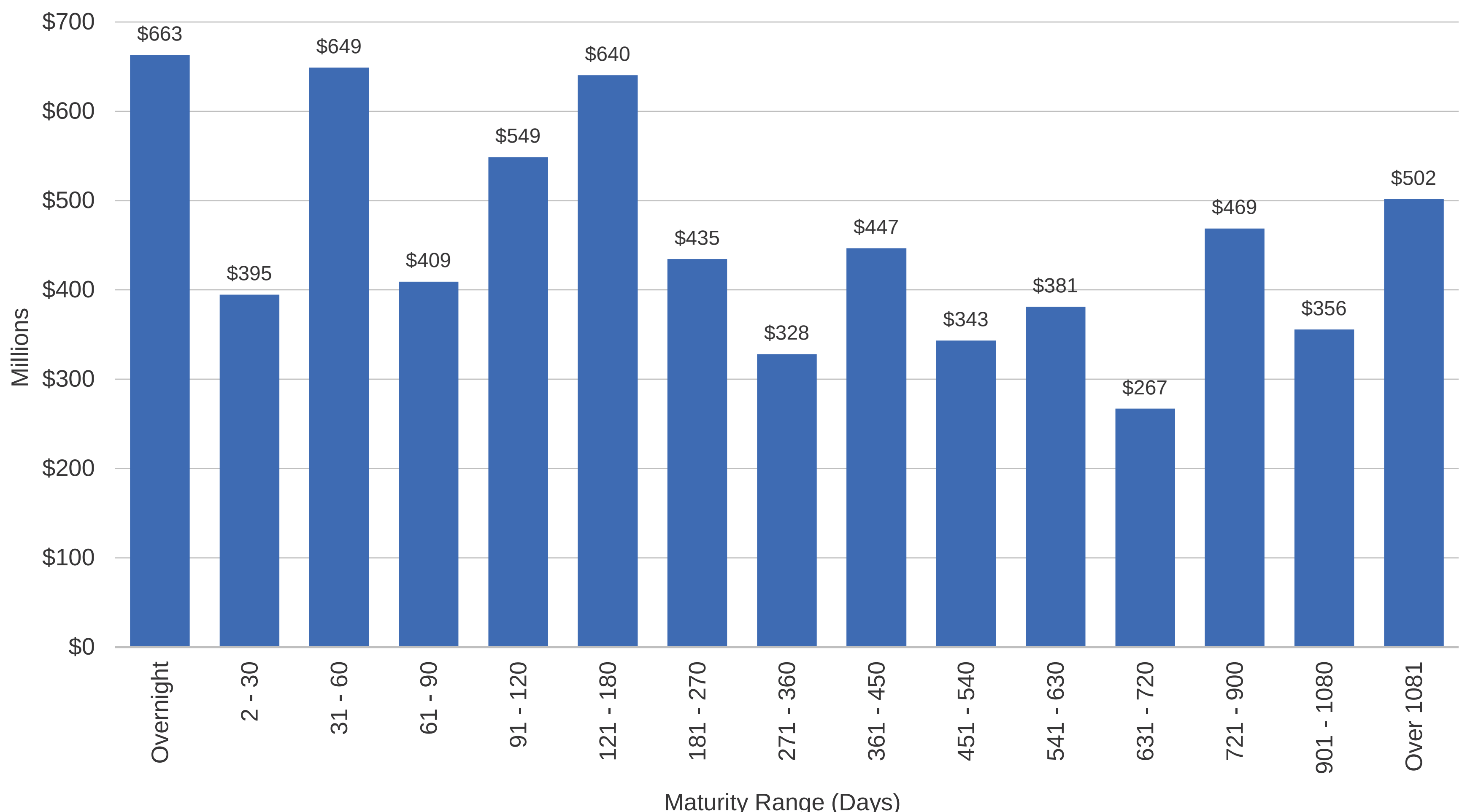
Percentages may not sum to 100% due to rounding.

MOODY'S RATINGS



Credit Rating	Market Value
P-1 (Short-Term)	$1,856,579,153
Aaa (Long-Term)	$4,576,406,964
Aa3 (Long-Term)	$10,010,780
Aa2 (Long-Term)	$54,509,301
Aa1 (Long-Term)	$0
A3 (Long-Term)	$0
A2 (Long-Term)	$5,045,360
A1 (Long-Term)	$91,919,402
Not Rated	$236,530,743

Maturity Distribution



Maturity range assumes no securities are called.

San Bernardino County Pool Portfolio Yield Summary

Month	Yield to Maturity At Cost
March 2018	1.59%
April 2018	1.71%
May 2018	1.74%
June 2018	1.85%
July 2018	1.86%
August 2018	1.89%
September 2018	1.93%
October 2018	2.01%
November 2018	2.03%
December 2018	2.11%
January 2019	2.15%
February 2019	2.18%
March 2019	**2.21%**

1. Gross yields not including non-earning assets (compensating bank balances) or administrative costs for management of the pool.
2. All historical yields restated to include money market funds.