PRELIMINARY OFFICIAL STATEMENT DATED MAY 30, 2019

NEW ISSUE – BOOK ENTRY ONLY

RATINGS:
Standard & Poor's (Insured): "AA"
Standard & Poor's (Underlying): "A"
(See "RATINGS" herein.)

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolution authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof. The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" and "BANK QUALIFICATION" herein.

$2,200,000*
HAMILTON UNIFIED SCHOOL DISTRICT
(Glenn County, California)
GENERAL OBLIGATION BONDS, 2018 ELECTION, 2019 SERIES A
(Bank Qualified)

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

The Hamilton Unified School District (Glenn County, California) General Obligation Bonds, 2018 Election, 2019 Series A (the "Bonds") are being issued by the Hamilton Unified School District (the "District") to (i) finance the acquisition, construction, furnishing and equipping of District facilities, and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption "THE PROJECTS." The Bonds were authorized at an election within the District held on November 6, 2018 (the "Election") at which at least fifty-five percent of the registered voters voting on the proposition voted to authorize the issuance and sale of $7,000,000 aggregate principal amount of general obligation bonds of the District (the "2018 Authorization"). The Bonds are the first series of general obligation bonds issued under the 2018 Authorization.

The Bonds are general obligations of the District only and are not obligations of the County of Glenn (the "County"), the State of California, or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2020. See ''THE BONDS'' herein.

The Bonds will be issued in book-entry form only, in denominations of $5,000 or integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry Only System."

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

Concurrently with the issuance of the Bonds, BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an Appendix to this Official Statement. See "BOND INSURANCE" herein.

BAM
BUILD AMERICA MUTUAL

MATURITY SCHEDULE
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.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Dannis Woliver Kelley, Long Beach, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting as Disclosure Counsel for the District. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about June 20, 2019.

STIFEL

The Date of this Official Statement is June __, 2019.

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* Preliminary; subject to change.

MATURITY SCHEDULE

$_____________
Hamilton Unified School District
(Glenn County, California)
General Obligation Bonds,
2018 Election, 2019 Series A

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

$______ ____% Term Bonds due August 1, 20__; Yield _____%, CUSIP[1] ______

[1] Copyright 2019, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, 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 CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such CUSIP number.

HAMILTON UNIFIED SCHOOL DISTRICT
Glenn County, State of California

Board of Trustees

District Administrators

Charles Tracy, *Superintendent*[1]
Diane Holliman, *Chief Business Official*[1]

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
Long Beach, California

Financial Advisor

Isom Advisors, a Division of Urban Futures Incorporated
Walnut Creek, California

Paying Agent, Transfer Agent and Registration Agent

The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

[1] Superintendent Tracy and Chief Business Official Holliman will each retire at the end of fiscal year 2018-19. See “HAMILTON UNIFIED SCHOOL DSITRICT - Changes in Executive Management” herein.

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No dealer, broker, salesperson or other person has been authorized by the Hamilton Unified School District (the "District") to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell, 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 described herein, are intended solely as such and are not to be construed as a representation of facts.

The information and expressions of opinion 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. Although certain information set forth in this Official Statement has been provided by the County of Glenn, the County of Glenn has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "GLENN COUNTY POOLED INVESTMENT FUND."

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 over-allot or effect transactions which stabilize or maintain the market price of the Bonds offered hereby 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, institutional investors, banks or others at prices lower or higher 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.

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

The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

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

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

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.

$2,200,000*
HAMILTON UNIFIED SCHOOL DISTRICT
(Glenn County, California)
GENERAL OBLIGATION BONDS
2018 ELECTION, 2019 SERIES A
(BANK QUALIFIED)

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover 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 Hamilton Unified School District (the "District") proposes to issue $2,200,000* aggregate principal amount of its General Obligation Bonds, 2018 Election, 2019 Series A (the "Bonds") under and pursuant to a bond authorization (the "2018 Authorization") for the issuance and sale of not more than $7,000,000 of general obligation bonds approved by 55% or more of the qualified voters of the District voting on the proposition at a general election held on November 6, 2018 (the "Election"). Subsequent to the issuance of the Bonds, $4,800,000* principal amount of general obligation bonds will remain for issuance pursuant to the 2018 Authorization.

Proceeds from the sale of the Bonds will be used to finance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance associated therewith. See "THE PROJECTS" herein.

Registration

The Bank of New York Mellon Trust Company, N.A. will act as the initial registrar, transfer agent and paying agent for the Bonds (the "Paying Agent"). As long as The Depository Trust Company, New York, New York ("DTC") is the registered owner of the Bonds and DTC's book entry-method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. See "THE BONDS – Description of the Bonds" herein.

The District

The District was established on July 1, 2009 upon the unification of Hamilton High School District and Hamilton Elementary School District. The District is located in Hamilton City in the County of Glenn (the "County"), approximately 10 miles west of the City of Chico in the northwest portion of the County. The District serves the communities of Hamilton City, Ord Bend, and Capay. The District operates one elementary school providing kindergarten through eighth grade education services, and one high school serving grades nine through twelve. The District also operates two community day schools, one continuation high school, one preschool and an adult education program. Capay Joint Union Elementary School District ("CJUESD") was a feeder elementary district prior to unification and is partially located in the County. While CJUESD did not join the unification, its students may elect to attend high school in the District. The average daily attendance ("ADA") for the District for fiscal year 2018-19 is estimated to be 692 students and the District has a 2018-19 assessed valuation of $367,064,522. The audited financial statements for the District for the fiscal year ended June 30, 2018

* Preliminary; subject to change.

are attached hereto as APPENDIX B. For further information concerning the District, see the caption "HAMILTON UNIFIED SCHOOL DISTRICT" herein.

Sources of Payment for the Bonds

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

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the District in connection with the Bonds. See "THE BONDS – Continuing Disclosure Agreement," "CONTINUING DISCLOSURE" herein and APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

Bank Qualified

The District has designated the Bonds as "qualified tax-exempt obligations," thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution's interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Professionals Involved in the Offering

Dannis Woliver Kelley, Long Beach, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, is acting as registrar, transfer agent and paying agent for the Bonds. Isom Advisors, a Division of Urban Futures Incorporated, Walnut Creek, California, is acting as Financial Advisor to the District in connection with the issuance of the Bonds. Kutak Rock LLP, Denver, Colorado, is acting as counsel to the Underwriter with respect to the Bonds. Dannis Woliver Kelley, The Bank of New York Mellon Trust Company, N.A., and Isom Advisors, a Division of Urban Futures Incorporated will receive compensation from the District contingent upon the sale and delivery of the Bonds. Kutak Rock LLP will receive compensation from the Underwriter contingent upon the sale and delivery of 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" 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.

Closing Date

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 in book-entry form will be available for delivery through the facilities of DTC on or about June 20, 2019.

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the Government Code of the State of California (the "Government Code") (commencing with Section 53506) and pursuant to a resolution of the Board of Trustees of the District (the "Board") adopted on May 22, 2019 (the "Resolution").

Purpose of Issue

The net proceeds of the Bonds will be used to finance certain capital improvements for the District as specified in the District bond proposition submitted at the Election, which includes acquisition of land and facilities, improvement and modernization of classrooms and school facilities, improvement to health and safety including lighting and fire suppression systems, and upgrades and modernization to agricultural facilities. See "THE PROJECTS" herein.

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued only as fully registered bonds in denominations of $5,000 principal amount or integral multiples thereof.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in denominations of $5,000 principal amount or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book entry system, see APPENDIX F hereto.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or by wire transfer of same day funds by The Bank of New York Mellon Trust Company, N.A., as Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” herein.

Payment of the Bonds

Interest on the Bonds is payable commencing February 1, 2020, and semiannually thereafter on February 1 and August 1 of each year (each, an “Interest Payment Date”). The Bonds shall be issued in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the “Record Date”). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on January 15, 2020, in which event interest shall be payable from its Dated Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest will be made on each Interest Payment Date by check or draft sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Redemption*

Optional Redemption. The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 20__ may be redeemed before maturity at the option of the District, in whole or in part, from any source of available funds, on any date on or after August 1, 20__ at a redemption price equal to the par amount to be redeemed, plus accrued interest to the date of redemption, without premium.

* Preliminary; subject to change.

Mandatory Redemption. The Bonds maturing on August 1, 20__ 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 as of the date set for such redemption, without premium. The principal amount to be so redeemed and the dates therefore and the final payment date is as indicated in the following table:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed

In the event that a portion of the Bonds maturing on August 1, 20__ is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount of such Bonds optionally redeemed.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall give notice of the redemption of the Bonds at least 20 but not more than 60 days prior to the redemption date to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid. Such redemption notice shall 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 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, as appropriate, of such Bond to be redeemed, (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part and (h) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. Such redemption notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Effect of Notice of Redemption

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside for payment of the redemption price, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Right to Rescind Notice of Redemption

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

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, 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 principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Defeasance

If any or all outstanding Bonds shall be paid and discharged in any one or more of the following ways: (a) by well and truly paying or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds Outstanding and designated for defeasance on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or (c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to the Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds Outstanding and designated for defeasance on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; then all obligations of the District and the Paying Agent under the Resolution with respect to such Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Resolution.

Continuing Disclosure Agreement

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") in the form of APPENDIX D hereto, on or prior to the delivery of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. See "CONTINUING DISCLOSURE" herein and APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	
Net Original Issue Premium	
Total Sources	
Uses of Funds	
Deposit to Building Fund	
Deposit to Debt Service Fund	
Costs of Issuance[1]	
Total Uses	

(1) Payment of bond insurance premium, Underwriter's discount, Bond and Disclosure Counsel fees, financial advisory fees, paying agent fees, rating agency fees, and other costs of issuance.

Application of Proceeds

The net proceeds from the sale of the Bonds (other than premium) shall be paid to the County to the credit of the Hamilton Unified School District Building Fund (the "Building Fund") established pursuant to the Resolution and shall be disbursed for the payment of the costs of acquiring and constructing the Projects (as described below). Any premium or accrued interest received by the District from the sale of the Bonds will be deposited in the Debt Service Fund. Earnings on the investment of moneys in either the Building Fund or the Debt Service Fund will be retained in the respective fund and used only for the purposes to which the respective fund may lawfully be applied. Moneys in the Debt Service Fund may only be applied to make payments of principal of and interest, and premium, if any, on bonds of the District. All funds held in the Building Fund and the Debt Service Fund will be invested by the County Treasurer.

DEBT SERVICE SCHEDULES

The following table summarizes the principal of, and interest payments on, the Bonds, assuming no optional redemption.

DEBT SERVICE ON THE BONDS

Bond Year Ending August 1	Principal	Interest	Total Debt Service
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
Total			

The following table summarizes the annual debt service payments for all of the District's outstanding bonds, comprising the 2011 General Obligation Refunding Note (the "2011 Note"), and the Bonds, assuming no optional redemptions.

DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS

Year Ending August 1	2011 Note	The Bonds	Total Annual Debt Service
2019	$ 94,779.30		
2020	95,789.80		
2021	96,615.40		
2022	97,156.10		
2023	97,416.20		
2024	--		
2025	--		
2026	--		
2027	--		
2028	--		
2029	--		
2030	--		
2031	--		
2032	--		
2033	--		
2034	--		
2035	--		
2036	--		
2037	--		
2038	--		
2039	--		
2040	--		
2041	--		
2042	--		
2043	--		
2044	--		
2045	--		
2046	--		
2047	--		
2048	--		
2049	--		
2050	--		
2051	--		
2052	--		
2053	--		
Totals	$481,756.80		

[Remainder of page intentionally left blank]

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. The District received authorization to issue $7,000,000 principal amount of general obligation bonds pursuant to an election of the qualified electors within the District on November 6, 2018. Subsequent to the issuance of the Bonds, $4,800,000* aggregate principal amount of general obligation bonds will remain for issuance under the 2018 Authorization.

Property Taxation System

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

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

Restrictions on use of *Ad Valorem* Taxes and Statutory Lien on Debt Service

Under State law, school districts may levy *ad valorem* taxes (in addition to their share of the 1% county tax to pay operating expenses) only to pay principal of and interest on general obligation bonds that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such general obligation bonds. Moreover, State law provides that the *ad valorem* taxes may be levied to pay the principal of and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* taxes levied to pay the Bonds to a purpose other than payment of the Bonds.

Pursuant to Section 53515 of the State Government Code, effective January 1, 2016, 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.

* Preliminary; subject to change.

Pledge of Tax Revenues

Under the Resolution, the District has pledged, as security for the Bonds and the interest thereon, the proceeds from the levy of the *ad valorem* tax which the County levies and receives and all interest earnings thereon (the "Pledged Moneys"). The Pledged Moneys shall be used to pay the principal of, premium, if any, and interest on the Bonds when and as the same shall become due and payable.

The Bonds are the general obligations of the District, payable solely from Pledged Moneys and do not constitute an obligation of the County except as provided in the Resolution. No part of any fund or account of the County is pledged or obligated to the payment of the Bonds or the interest thereon. Other than the Pledged Moneys, no funds or accounts of the District are pledged to payment of the Bonds.

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM. BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $513.9 million, $105 million and $408.9 million, respectively.

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

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

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

Additional Information Available from BAM.

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

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

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

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

THE PROJECTS

The District intends to apply the net proceeds of the Bonds to finance the acquisition, construction, furnishing and equipping of District facilities in accordance with the bond proposition approved at the Election which includes the ballot measure and a project list. See "THE BONDS – Purpose of Issue" herein.

The "Smaller Classes, Safer Schools, and Financial Accountability Act," a Constitutional amendment known as Proposition 39, controls the method by which the District will expend Bond proceeds on its capital improvements. Prior to the Election, the District prepared and submitted to the Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the Bonds, which was then submitted to the voters at the Election (the "Project List"). The District will prioritize the projects on the Project List and may not undertake to complete all components of the Project List.

TAX BASE FOR REPAYMENT OF THE BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem 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

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). 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 property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the County Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent, if unpaid, on August 31 and are subject to a 10% delinquency penalty. Unsecured property taxes remaining unpaid on October 31 are also subject to an additional penalty of one and one half percent per month on the first day of each month thereafter. The additional penalties shall continue to attach until the time of payment or until the time a court judgment is entered for the amount of unpaid taxes and penalties, whichever occurs first.

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the respective County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES" herein.

The State Constitution currently requires a credit of $7,000 of the taxable value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies. Current law also provides, upon application, a basis exemption of $100,000 increased by inflation for veterans with specified disabilities or for unmarried spouses of deceased veterans. The exemption may be raised to $150,000 if the applicant meets the income limit of $40,000.

In addition, certain classes of property such as cemeteries, free public libraries and museums, public schools, churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following table presents the historical assessed valuation in the District since fiscal year 2008-09. The District's total assessed valuation is $367,064,522 for fiscal year 2018-19. Assessed valuation of the District includes the Glenn County portion of CJUESD.

HAMILTON UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2008-09 Through 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2008-09	$257,336,430	$214,104	$ 9,497,387	$267,047,921	--
2009-10	267,718,382	214,104	9,356,882	277,289,368	3.83%
2010-11	273,956,096	214,104	9,366,929	283,537,129	2.25
2011-12	271,027,984	214,104	9,971,621	281,213,709	(0.82)
2012-13	273,332,453	224,748	11,217,755	284,774,956	1.27
2013-14	282,921,126	224,748	16,141,885	299,287,759	5.09
2014-15	293,716,143	224,748	17,247,818	311,188,709	3.97
2015-16	311,770,892	227,580	19,470,279	331,468,751	6.51
2016-17	312,301,428	227,580	20,211,866	332,740,874	0.38
2017-18	324,384,917	227,580	20,440,234	345,052,731	3.70
2018-19	345,287,908	227,580	21,549,034	367,064,522	6.38

Source: California Municipal Statistics, Inc.

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

Recent California Drought Conditions and Wildfires. Water shortfalls resulting from the driest conditions in recorded State history caused Governor Brown, on January 17, 2014, to declare a State-wide Drought State of Emergency for California and directed State officials to take all necessary actions to prepare for water shortages. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. Subsequent executive orders and Water Board regulations imposed reductions on water usage in response to the drought conditions. On April 7, 2017, the Governor announced the end of the State-wide drought in all but Fresno, Kings, Tulare and Tuolumne Counties in California but extended conservation measures indefinitely in order to prepare California for fluctuations in water conditions and potential future drought conditions. According to the U.S. Drought Monitor, as of March, 2019, California is not currently experiencing any drought conditions.

Additionally, in 2017 and 2018, certain portions of the State were affected by large wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. The District was not directly impacted by the wildfires but the largest of such wildfires, the Camp Fire, occurred approximately 20 miles east of the District in neighboring Butte County. The Camp Fire displaced the entire community of Paradise, California, as well as the neighboring community of Magalia and killed more than 80 people.

The District cannot make any representation regarding the effects that the drought or fire conditions has had, or may have on the value of taxable property within the District, or to what extent drought or fire could cause disruptions to agricultural production, destroy property, reduce land values and adversely impact other economic activity within the boundaries of the District.

Reassessments and Appeals of Assessed Valuations

Pursuant to California Proposition 8 of November 1978 ("Proposition 8"), property owners may apply for a reduction of their property tax assessment by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the factors described in the paragraph above or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as lower residential home sale prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIIIA of the California Constitution."

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.

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased shortly prior to widespread declines in the fair market value of residential real estate within the county, as occurred between 2009 and 2011) and may proactively, temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

A property that has been reassessed under Proposition 8, whether pursuant to owner appeal or due to county assessor review, is subsequently reviewed annually to determine its lien date value. Assuming no change in ownership or new construction, and if and as market conditions improve, the assessed value of a property with a Proposition 8 assessed value in place may increase as of each property tax lien date by more than the standard annual inflationary factor growth rate allowed under Article XIIIA (currently, a 2% annual maximum) until such assessed value again equals the Article XIIIA base year value for such property as adjusted for inflation and years of ownership, at which point such property is again taxed pursuant to Article XIIIA and base year values may not be increased by more than the standard Article XIIIA annual inflationary factor growth rate. A change in ownership while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIIIA base year value for such property. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIIIA of the California Constitution" herein.

No assurance can be given that property tax appeals and reassessments in the future will not significantly reduce the assessed valuation of property within the District.

Assessed Valuation by Land Use

The table below sets forth the assessed valuation of the taxable property within the District by land use.

HAMILTON UNIFIED SCHOOL DISTRICT
2018-19 Assessed Valuation and Parcels by Land Use

Non-Residential:	2018-19 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$242,164,202	70.13%	540	39.65%
Commercial	21,952,508	6.36	47	3.45
Vacant Commercial	634,448	0.18	15	1.10
Industrial	4,516,902	1.31	13	0.95
Recreational	48,290	0.01	1	0.07
Government/Social/Institutional	18,805	0.01	23	1.69
Miscellaneous	46,607	0.01	3	0.22
Subtotal Non-Residential	$269,381,762	78.02%	642	47.14%
Residential:				
Single Family Residence	$57,920,407	16.77%	497	36.49%
Mobile Home	8,182,083	2.37	121	8.88
2-3 Residential Units	7,916,464	2.29	63	4.63
4+ Residential Units/Apartments	773,710	0.22	4	0.29
Miscellaneous Residential	393,871	0.11	10	0.73
Vacant Residential	719,611	0.21	25	1.84
Subtotal Residential	$75,906,146	21.98%	720	52.86%
Total	$345,287,908	100.00%	1,362	100.00%

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

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Assessed Valuation of Single Family Homes

The following table sets forth ranges of assessed valuations of single family homes in the District for fiscal year 2018-19, including the median and average assessed value per single family parcel.

HAMILTON UNIFIED SCHOOL DISTRICT
Per Parcel 2018-19 Assessed Valuation of Single Family Homes

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	497	$57,920,407	$116,540	$112,417

2018-19 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	16	3.219%	3.219%	$ 282,550	0.488%	0.488%
$25,000 - $49,999	51	10.262	13.481	1,985,254	3.428	3.915
$50,000 - $74,999	63	12.676	26.157	4,010,453	6.924	10.839
$75,000 - $99,999	87	17.505	43.662	7,584,980	13.096	23.935
$100,000 - $124,999	85	17.103	60.765	9,660,662	16.679	40.614
$125,000 - $149,999	71	14.286	75.050	9,569,759	16.522	57.136
$150,000 - $174,999	61	12.274	87.324	9,952,839	17.184	74.320
$175,000 - $199,999	29	5.835	93.159	5,452,413	9.414	83.734
$200,000 - $224,999	11	2.213	95.372	2,333,597	4.029	87.763
$225,000 - $249,999	5	1.006	96.378	1,167,607	2.016	89.779
$250,000 - $274,999	4	0.805	97.183	1,032,143	1.782	91.561
$275,000 - $299,999	4	0.805	97.988	1,141,742	1.971	93.532
$300,000 - $324,999	0	0.000	97.988	0	0.000	93.532
$325,000 - $349,999	4	0.805	98.793	1,348,137	2.328	95.859
$350,000 - $374,999	3	0.604	99.396	1,077,242	1.860	97.719
$375,000 - $399,999	1	0.201	99.598	394,000	0.680	98.399
$400,000 - $424,999	0	0.000	99.598	0	0.000	98.399
$425,000 - $449,999	1	0.201	99.799	427,029	0.737	99.137
$450,000 - $474,999	0	0.000	99.799	0	0.000	99.137
$475,000 - $499,999	0	0.000	99.799	0	0.000	99.137
$500,000 and greater	1	0.201	100.000	500,000	0.863	100.000
Total	497	100.000%		$57,920,407	100.000%	

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

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Largest Taxpayers

The table below sets forth the largest secured taxpayers within the District in fiscal year 2018-19.

HAMILTON UNIFIED SCHOOL DISTRICT
2018-19 Largest Total Secured Taxpayers

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total[1]
1.	Violich Farms Inc.	Agricultural	$ 26,949,077	7.80%
2.	C.F. & Koehnen & Sons Orchards	Agricultural	20,054,433	5.81
3.	Riverwest Processing Inc.	Agricultural	13,621,945	3.95
4.	Sunsweet Dryers	Food Processing	7,665,463	2.22
5.	Sunfield Seeds	Agricultural	5,640,907	1.63
6.	Keyawa Orchards Inc.	Agricultural	4,960,433	1.44
7.	J & W Farms Inc.	Agricultural	4,248,782	1.23
8.	Knight Ranches Inc.	Agricultural	4,015,226	1.16
9.	Surjit S. Bains	Agricultural	3,670,223	1.06
10.	Charles R. Crain, Jr.	Agricultural	3,400,574	0.98
11.	Bains Properties LP	Agricultural	3,256,944	0.94
12.	James A. & Theresa J. Weber, Trustees	Agricultural	3,020,145	0.87
13.	Peter D. Knight & Sons LP	Agricultural	2,762,346	0.80
14.	Linda M. Lohse Trust	Agricultural	2,731,425	0.79
15.	Floyd Pederson Trust	Agricultural	2,411,145	0.70
16.	D Judd Apartments LLC	Industrial	2,345,998	0.68
17.	David M. Lohse Trust	Agricultural	2,345,102	0.68
18.	Peter Jensen	Agricultural	2,313,482	0.67
19.	Myrna J. Lohse Trust	Agricultural	2,294,697	0.66
20.	Louis & Maria Stalcar, Trustees	Discount Store	2,176,680	0.63
			$119,885,027	34.72%

(1) 2018-19 local secured assessed valuation: $345,287,908.
Source: California Municipal Statistics, Inc.

The top 20 taxpayers on the secured roll for 2018-19 account for 34.72% of the secured assessed value in the District of $345,287,908. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for 2018-19 was Violich Farms Inc., accounting for 7.80% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 5.81% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

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Tax Rates

The following table sets forth tax rates levied in Tax Rate Area 86-046 located within the District for fiscal years 2014-15 through 2018-19.

HAMILTON UNIFIED SCHOOL DISTRICT
Typical Tax Rate per $100 Assessed Valuation (TRA 86-046)[(1)(2)]

	2014-15	2015-16	2016-17	2017-18	2018-19
General	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
Hamilton Unified School District	.001000	(.002742)	(.006067)	(.015594)	(.041736)
Butte-Glenn Community College District	.020880	.020880	.020880	.046560	.041317
Total	$1.021880	$1.018138	$1.014813	$1.030966	$0.999581

(1) 2018-19 assessed valuation of TRA 86-046 is $68,559,176 which is 18.67% of the District's total assessed valuation.
(2) The District has a unitary utility assessed value, which, for certain years, has permitted the *ad valorem* tax collected from unitary property alone to meet the necessary bond payment requirements. Accordingly, the secured *ad valorem* tax rate shown above for the District is negative for those years in which the unitary assessed value has provided sufficient collections to service the bond debt. Accordingly, no delinquency information is available for such years.

Source: California Municipal Statistics, Inc.

The Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied with respect to the Bonds irrespective of actual delinquencies in the collection of property taxes by the County.

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The District is not aware of any petitions for the discontinuance of the Teeter Plan now pending in the County.

Direct and Overlapping Debt

Numerous local agencies that provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

The following table is a statement of the District's direct and estimated overlapping bonded debt as of May 1, 2019:

HAMILTON UNIFIED SCHOOL DISTRICT
Direct and Overlapping Bonded Indebtedness

2018-19 Assessed Valuation: $367,064,522

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/19
Butte-Glenn Community College District	1.432%	$1,342,902
Hamilton Unified School District	**100.000**	**425,100[(1)]**
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,768,002
OVERLAPPING GENERAL FUND DEBT:		
Glenn County General Fund Obligations	11.555%	$263,454
TOTAL OVERLAPPING GENERAL FUND DEBT		$263,454
COMBINED TOTAL DEBT		$2,031,456[(2)]

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

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($425,100).. 0.12%
Total Direct and Overlapping Tax and Assessment Debt...... 0.48%
Combined Total Debt 0.55%

Source: California Municipal Statistics Inc.

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DISTRICT FINANCIAL INFORMATION

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 of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County on all taxable property within the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

State Funding of Education

On June 27, 2013, the State adopted a new method for funding school districts commonly known as the "Local Control Funding Formula." The Local Control Funding Formula ("LCFF") is being implemented in stages, beginning in fiscal year 2013-14 and will be fully implemented in fiscal year 2018-19. Prior to adoption of the LCFF, the State used a revenue limit system described below.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as a part of the 2013-14 State Budget (defined below) enacted the LCFF beginning in fiscal year 2013-14, which replaced the revenue limit funding system and many categorical programs. The LCFF distributes resources to schools through a guaranteed base revenue limit funding grant (the "Base Grant") per unit of ADA. The average Base Grant is $7,643 per unit of ADA, which is $2,375 more than the average revenue limit. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth.

Under the LCFF, State allocations are provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Full implementation of the LCFF occurred over a period of several fiscal years and was complete in fiscal year 2018-19. Beginning in fiscal year 2013-14, 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.

For fiscal year 2018-19, the base rates per unit of ADA for each grade span are as follows: (i) $8,235 for grades K-3; (ii) $7,571 for grades 4-6; (iii) $7,796 for grades 7-8; and (iv) $9,269 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following the full implementation of the LCFF in fiscal year 2018-19, the provision of cost-of-living-adjustments are 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.

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. Following full implementation of the LCFF, and 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. Additional add-ons are also provided 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 and are not discussed separately herein). A supplemental grant add-on (each, a "Supplemental Grant") is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 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 sets forth the historical ADA and enrollment for fiscal years 2009-10 through 2017-18.

HAMILTON UNIFIED SCHOOL DISTRICT
Historical ADA and Enrollment
Fiscal Years 2009-10 through 2017-18

Fiscal Year	ADA(1)	Enrollment(2)
2009-10	806	840
2010-11	755	789
2011-12	729	759
2012-13	684	710
2013-14	701	723
2014-15	695	719
2015-16	712	738
2016-17	669	697
2017-18	672	690
2018-19(3)	692	714

(1) P-2 ADA.
(2) Fall 1st period data as reported to CalPADS.
(3) Based on Second Interim Report.
Source: The District.

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The following table sets forth the ADA, enrollment and the percentage of EL/LI enrollment for fiscal years 2017-18, budgeted for 2018-19 and projections for fiscal years 2019-20 and 2020-21.

HAMILTON UNIFIED SCHOOL DISTRICT
ADA, English Language/Low Income Enrollment
Fiscal Years 2017-18 through 2020-21

	ADA					Enrollment	
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA[3]	Total Enrollment	% of EL/LI Enrollment
2017-18	173	140	79	281	672	690	82.82%
2018-19[1]	183	139	80	288	692	714	81.67
2019-20[2]	190	143	87	234	653	674	81.24
2020-21[2]	201	123	98	232	654	675	81.63

(1) Based on Second Interim Report.
(2) Projected.
(3) Rows may not sum to total due to rounding.
Source: The 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 a COLA 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 Legislature to school districts.

Certain schools 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 and does not expect to in the future.

Accountability. The State Board of Education has promulgated 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 district on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school district 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 adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has developed and adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts meet 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 identify and implement 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 achieve 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.

Revenue Sources

The District categorizes its general fund revenues into four sources; LCFF revenues, federal revenues, other State revenues and other local revenues. Each of these revenue sources is briefly described below.

LCFF Sources. State funding under the LCFF consists of Base Grants and supplemental grants as described above. See "- State Funding of Education – Local Control Funding Formula" above.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Every Child Succeeds.

Other State Revenues. The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, School Improvement Program, instructional materials, and various block grants.

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

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

The percentage of total general fund revenue for each source of revenue is shown in the following table.

HAMILTON UNIFIED SCHOOL DISTRICT
Percentage of Revenue by Source[1]

Revenue Source	2015-16	2016-17	2017-18	2018-19[2]
LCFF sources	80.1%	82.6%	86.1%	90.3%
Federal revenues	3.5	4.8	3.3	3.1
Other State revenues	12.8	9.8	9.2	6.1
Other local revenues	3.6	2.8	1.3	0.4

(1) Columns may not sum to totals due to rounding.
(2) Based on Second Interim Report.
Source: The District.

Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620 which must be used to fund construction or reconstruction of school facilities. Current developer fees are $3.79 per square foot for residential housing and $0.61 per square foot for commercial or industrial development. For fiscal years 2014-15, 2015-16, 2016-17 and 2017-18 the District received $27,602, $32,549, $104,170 and $6,060 in developer fees, respectively. In fiscal year 2018-19, developer fee collections are projected to be $18,851.

Budget Procedures

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.

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. In 2014, Assembly Bill 2585 was enacted, which repealed provisions authorizing schools districts to use a dual budget adoption cycle. Instead, all school districts must be on a single budget cycle. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

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, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 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 August 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 August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the State Superintendent of all school districts whose budget has been disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 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 district budgets and not later than October 8, will 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. Until a district's budget is approved, the 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 fiscal year. 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 not received a qualified or negative certification on any interim reports in the last five fiscal years.

General Fund Budget. The District's general fund adopted budgets for fiscal years 2014-15 through 2018-19, audited actuals for the fiscal years 2014-15 through 2017-18 and projected financial results for fiscal year 2018-19, based upon the Second Interim Report, are set forth on the following page.

HAMILTON UNIFIED SCHOOL DISTRICT
GENERAL FUND BUDGETING

	Adopted Budget 2014-15[1]	Audited Actuals 2014-15[1]	Adopted Budget 2015-16[1]	Audited Actuals 2015-16[1]	Adopted Budget 2016-17[1]	Audited Actuals 2016-17[1]	Adopted Budget 2017-18[1]	Audited Actuals 2017-18[1]	Adopted Budget 2018-19[2]	2nd Interim Report 2018-19[2]
REVENUES[3]										
Revenue Limit Sources/LCFF	$5,911,810	$5,822,752	$6,643,887	$6,891,392	$7,273,981	$6,751,020	$7,067,046	$7,117,478	$7,548,255	$7,748,895
Federal	306,200	424,900	365,299	301,577	295,891	390,272	358,913	275,214	260,002	269,983
Other State	135,000	330,318	416,290	912,086	638,110	618,916	787,132	494,755	467,224	527,026
Other Local	295,354	414,207	246,146	306,323	36,354	221,966	29,500	104,217	35,500	35,500
Total Revenues	6,612,364	6,992,177	7,671,622	8,411,378	8,244,336	7,982,174	8,242,591	7,991,664	8,310,961	8,581,404
EXPENDITURES[3]										
Certificated Salaries	2,988,078	3,005,956	3,014,660	3,151,925	3,283,463	3,289,720	3,541,054	3,417,974	3,476,900	$3,514,169
Classified Salaries	835,557	870,716	885,714	897,028	961,827	958,182	1,004,103	1,108,197	1,146,055	1,146,555
Employee Benefits	1,365,900	1,312,210	1,429,042	1,393,995	1,538,959	1,548,127	1,761,703	1,738,294	1,893,035	1,893,319
Books and Supplies	178,539	339,818	744,731	357,253	372,480	365,031	412,016	453,724	312,944	523,102
Services, Other Operating Expenses	655,000	1,003,401	980,621	1,005,420	966,449	1,074,172	888,247	909,672	808,593	872,059
Capital outlay	140,000	77,603	140,000	104,461	171,000	163,454	310,300	394,500	236,000	569,030
Other Outgo (excluding Transfers)	583,204	393,197	332,854	429,961	424,508	604,304	418,978	641,497	565,616	773,732
Other Outgo – Transfers of Indirect Costs	--	--	--	--	--	--	--	--	--	(7,800)
Total Expenditures	6,746,278	7,002,901	7,527,622	7,340,043	7,748,686	8,002,990	8,336,401	8,663,858	8,439,143	9,284,166
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(133,914)	(10,724)	144,000	1,071,335	495,650	(20,816)	(93,810)	(672,194)	(128,162)	(702,762)
OTHER FINANCING SOURCES (USES)[3]										
Interfund Transfers in	--	--	--	--	--	--	--	--	27,972	27,972
Interfund transfers out	(231,120)	(144,000)	(144,000)	(504,000)	(495,653)	(50,000)	(103,000)	(50,000)	(103,000)	(53,000)
Total Other Financing Sources and Uses	(231,120)	(144,000)	(144,000)	(504,000)	(495,653)	(50,000)	(103,000)	(50,000)	(75,028)	(25,028)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	(365,034)	(154,724)	--	567,335	(3)	(70,816)	(196,810)	(722,194)	(203,190)	(727,790)
Fund Balance, July 1	1,974,686	2,327,482	2,172,758	2,172,758	2,740,093	2,740,093	2,669,277	2,669,277	1,947,083	1,947,083
Fund Balance, June 30	$1,609,652	$2,172,758	$2,172,758	$2,740,093	$2,740,090	$2,669,277	$2,472,467	$1,947,083	$1,743,893	$1,219,293

[1] From the audited financial statements of the District for such fiscal year.
[2] From 2018-19 Second Interim Report.
[3] The amounts reported differ from the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance (General Fund) table in this Official Statement because (i) State "on-behalf" payments are not included in this table and (ii) amounts reported in this table include only the general fund.
Source: The District.

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. 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 Office of the Superintendent of the District, 620 Canal Street, Hamilton City, California 95951. See APPENDIX B hereto for the 2017-18 Audited Financial Statements of the District.

The table on the following page reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2014-15 to fiscal year 2017-18:

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HAMILTON UNIFIED SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2014-15 through 2017-18

	2014-15 Audit	2015-16 Audit	2016-17 Audit	2017-18 Audit
REVENUES[1]				
LCFF Sources	$5,822,752	$6,891,392	$6,751,020	$7,117,478
Federal Revenues	424,900	301,577	390,272	275,214
Other State Revenues	467,790	1,102,625	803,796	760,177
Other Local Revenues	415,217	307,593	225,162	110,634
TOTAL REVENUES	7,130,659	8,603,187	8,170,250	8,263,503
EXPENDITURES[1]				
Current Instruction	4,173,884	4,363,894	4,492,757	4,920,948
Instruction related services:				
Instructional supervision and administration	2,359	1,463	618	299
Instructional library, media, and technology	218,659	165,220	199,509	204,769
School site administration	803,679	839,967	988,816	919,262
Pupil services:				
Home-to-school transportation	79,313	72,543	100,414	102,676
Food services	3,747	3,181	2,493	5,613
All other pupil services	139,860	176,914	180,862	194,954
General administration:				
All other general administration	668,552	624,792	604,761	696,353
Plant services	656,928	780,216	771,093	812,555
Facilities acquisition and maintenance	195	65,578	242,243	430,354
Transfers to other agencies	386,343	429,961	597,451	641,497
Debt service:				
Principal	5,682	6,048	6,438	--
Interest and other	1,172	805	415	--
TOTAL EXPENDITURES	7,140,373	7,530,582	8,187,870	8,929,280
Excess (Deficiency) of Revenues Over Expenditures	(9,714)	1,072,605	(17,620)	(665,777)
OTHER FINANCING SOURCES (USES):[1]				
Transfers In	--	--	--	--
Transfers Out	(74,000)	(454,000)	--	--
NET FINANCING SOURCES (USES)	(74,000)	(454,000)	--	--
NET CHANGE IN FUND BALANCES	(83,714)	618,605	(17,620)	(665,777)
Fund Balance at Beginning of Year	2,723,343	2,639,629	3,258,234	3,240,614
Fund Balance at End of Year	$2,639,629	$3,258,234	$3,240,614	$2,574,837

[1] The amounts reported on this table differ from the amounts reported on the General Fund Budgeting table in this Official Statement because (i) State "on-behalf" payments are included in this table and (ii) this table includes, in addition to the general fund, the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits, in accordance with GASB Statement No. 45.

Source: The 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 Section 41010 of the California Education Code, is to be followed by all California 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.

State Budget Measures

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

2018-19 State Budget. Governor Edmund G. Brown signed the fiscal year 2018-19 budget for the State (the "2018-19 State Budget") on June 27, 2018, forecasting revenues and transfers for 2018-19 of $141.8 billion and expenditures of $138 billion. For 2017-18, the 2018-19 State Budget included revenues and transfers of $135.5 billion, an increase of almost $10 billion over the 2017-18 State Budget, and expenditures of $127 billion. The 2018-19 State Budget reflected continued economic expansion and increasing revenues, including record all-time capital gains tax revenues. The Rainy Day Fund was fully funded to $13.9 billion and an additional $200 million was deposited to the newly created Safety Net Reserve Fund. In recognition that the then-current economic prosperity couldn't continue indefinitely, the 2018-19 State Budget made one-time spending commitments rather than on-going programmatic expenditures; primarily for infrastructure, homelessness and mental health. A new funding formula for higher education was adopted that provided increased funding for community college districts that serve low-income students and where students demonstrate certain success. Additionally, the California Online College was created in order to facilitate access to higher education for working adults.

With respect to K-12 education, the 2018-19 State Budget included total funding of $97.2 billion ($56.1 billion State general fund and $41.1 billion from other funds) with per pupil funding from all sources of $16,352. LCFF funding was increased by $3.7 billion to reach full funding. Additionally, the 2018-19 State Budget provided $1.1 billion in one-time discretionary funds to school districts, charter schools and county offices of education. The 2018-19 State Budget also enacted a new Proposition 98 certification process to ensure annual Proposition 98 certifications.

Significant provisions of the 2018-19 State Budget relating to K-12 education were as follows:

- Career Technical Education—$164 million ongoing Proposition 98 funds to establish a K-12 specific program within the Strong Workforce Program and $150 million ongoing Proposition 98 funds to make permanent the Career Technical Education Inventive Grant Program.

- Low-Performing Student Block Grant—$300 million Proposition 98 funds for local education agencies with students performing at the lowest levels on academic assessments and that do not generate supplemental LCFF funds or special education resources.

- Early Education Expansion Program—$167.2 million Proposition 98 funds for inclusive early education and care for children up to the age of five in low-income and low access to care areas.

- Teacher Residency Grant Program—$75 million Proposition 98 funds to support one-year intensive, mentored, clinical teacher preparation programs with $50 million for preparing and retaining special education teachers and $25 million for bilingual and STEM teachers.

- Local Solutions Grant Program—$50 million Proposition 98 funds to provide one-time grants to local educational agencies for locally identified solutions for special education teachers.

- Classified School Employee Summer Assistance Program—$50 million Proposition 98 funds to provide state matching funds to classified school employees who defer paychecks to the summer recess period.

- Classified School Employee Professional Development Block Grant Program—$50 million Proposition 98 funds for professional development for classified staff with a priority on the implementation of school safety plans.

- English Language Proficiency Assessment for California—$27.1 million Proposition 98 funds to convert the paper-based ELPAC to a computer-based assessment and to develop an ELPAC assessment specific to students with exceptional needs.

- Charter School Facility Grant Program—$21.1 million one-time and $24.8 million ongoing Proposition 98 funds to reflect increases in programmatic costs.

- Kids Code After-School Program—$15 million Proposition 98 funds to increase opportunities for students in after-school programs to access computer coding education.

- Fire-Related Support—$4.4 million Proposition 98 funds in property tax relief to school districts impacted by the fires in Northern and Southern California in 2017, $25 million Proposition 98 funds through the LCFF and a hold-harmless provision for ADA for three years.

- California-Grown Fresh School Meals Grants—$1 million one-time Proposition 98 funds to encourage the purchase of California-grown food by schools and expand the number of freshly prepared school meals offered that use California-grown ingredients.

- Fiscal Crisis and Management Assistance Team—$972,000 Proposition 98 funds to allow FCMAT to coordinate with county offices of education to offer more proactive and preventive services to fiscally distressed school districts, specifically those with a qualified interim budget status.

Proposed 2019-20 State Budget. On January 10, 2019, Governor Gavin Newsom announced his proposed 2019-20 budget for the State (the "2019-20 Proposed State Budget") with increased revenues and expenditures for 2018-19 over the 2018-19 State Budget. Under the 2019-20 Proposed State Budget, the State will receive revenues and transfers totaling $149.3 billion with expenditures reaching $144 billion in 2018-19. 2019-20 revenues and transfers are predicted to decrease to $147.8 billion with expenses remaining steady at $144 billion. The 2019-20 Proposed State Budget continues prior years' efforts to pay down debts and increase savings. $1.8 billion would be transferred to the Rainy Day Fund in 2019-20 with an additional $4.1 billion transferred in future years to bring the Rainy Day Fund balance to $19.4 billion by 2022-23. The 2019-20 Proposed State Budget commits $4 billion to pay off loans from special funds and transportation accounts, eliminate the deferrals of the June payroll and the fourth quarter PERS payment. A $3 billion supplemental contribution to pay down the State's share of unfunded PERS liabilities and $1.1 billion towards its share of STRS liabilities are also included in the 2019-20 Proposed State Budget.

The 2019-20 Proposed State Budget allocates $80.7 billion in Proposition 98 funds for K-12 schools and community colleges as well as $686 million in settle-up payments from prior years. Total per-pupil funding would reach $16,857 in 2018-19 and $17,160 in 2019-20. LCFF funding reaches $63 billion under the 2019-20 Proposed Budget.

In addition, the 2019-20 Proposed State Budget makes a $3 billion one-time general fund payment to STRS to reduce school districts' pension liabilities and decrease required future contributions. Current assumptions provide that the school district contribution rate to STRS would decrease from 18.13% to 17.1% in 2019-20 and from 19.1% to 18.1% in 2020-21 as a result of such one-time payment.

Significant provisions of the 2019-20 Proposed State Budget pertaining to K-12 education are as follows:

- Full Day Kindergarten— $750 million one-time general funds to improve access to full-day kindergarten.

- Full-day Preschool— $125 million to increase access to subsidized full-day, full-year State preschool for low income four-year olds.

- ADA—A decrease of $388 million Proposition 98 funds in 2018-19 for school districts resulting from a decrease in projected ADA from the 2018-19 State Budget, and a decrease of $187 million Proposition 98 general fund in 2019-20 for school districts resulting from a further projected decline in ADA for 2019-20.

- Local Property Tax Adjustments—A decrease of $283 million Proposition 98 funds for school districts and county offices of education in 2018-19 as a result of higher offsetting property tax revenues, and a decrease of $1.25 billion Prop 98 funds for school districts and county offices of education in 2019-20 as a result of increased offsetting property taxes.

- COLA—$187 million Proposition 98 funds to support a 3.46% COLA for categorical programs, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, the Mandates Block Grant, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- CalWORKs Stages 2 and 3 Child Care—A net increase of $119.4 million non-Proposition 98 general fund in 2019-20 to reflect increases in the number of CalWORKs child care cases.

- Full-Year Implementation of Prior Year State Preschool Slots—$26.8 million Proposition 98 funds to reflect full-year costs of 2,959 full-day State Preschool slots implemented part-way through the 2018-19 fiscal year.

- County Offices of Education—$9 million Proposition 98 funds to reflect a 3.46-percent COLA adjustment and average daily attendance changes applicable to the LCFF.

- Instructional Quality Commission—$279,000 General Fund on a one-time basis for the Instructional Quality Commission to continue its work on the development of model curriculum and frameworks.

May Revision to Proposed 2018-19 State Budget. Governor Newsom announced his revisions to the 2019-20 Proposed State Budget (the "May Revision") on May 9, 2019 citing increased revenues of $3.2 billion over the 2019-20 Proposed State Budget for total 2019-20 resources of $150 billion with expenses totaling $147 billion. The May Revision commits an additional $1.2 billion to funding the Rainy Day Fund which is predicted to reach its constitutional cap of 10% of general fund revenues in fiscal year 2020-21 and to reach a balance, in fiscal year 2022-23, of $18.8 billion. Programmatically, the May Revision is substantially similar to the 2019-20 Proposed Budget but provides revised revenue and expenditure estimates related to the programmatic goals contained in the 2019-20 Proposed Budget.

The May Revision include total K-12 expenditures of approximately $101.8 billion including Proposition 98 funding of $88.1 billion (an increase of $389 million over the 2019-20 Proposed Budget all of which would be required to be deposited to the Public School System Stabilization Account under Proposition 2). See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 2" herein. The May Revision also increases the State's supplemental contribution to STRS by $150 million to decrease the employer contribution rate in 2019-20 to 16.7% and includes certain legislative provisions designed to increase charter school transparency.

Significant provisions of the May Revision pertaining to K-12 education are as follows:

- Full Day Kindergarten—$600 million one-time general funds to improve access to full-day kindergarten, a decrease of $150 million from the Proposed 2019-20 State Budget.

- LCFF Adjustments—$70 million Proposition 98 funds in 2018-19 and a decrease of $63.9 million Proposition 98 funds in 2019-20 for school districts, charter schools, and county offices of education to reflect changes in ADA and COLA that affect the LCFF calculation.

- Special Education—$696.2 million ongoing Proposition 98 funds for special education and $500,000 one-time non-Proposition 98 funds to increase local educational agencies' ability to draw down federal funds for medically related special education services and to improve the transition of three-year-olds with disabilities from regional centers to local educational agencies.

- Loan Assumptions—$89.8 million non-Proposition 98 funds for estimated 4,500 loan assumptions (repayments) of up to $20,000 for newly credentialed teachers in high-need schools in hard-to-hire subject matter areas (special education, science, technology, engineering and math) and schools with the non-credentialed or waiver teachers.

- Teacher Training—$44.8 million one-time non-Proposition 98 funds to provide training and resources for teachers and paraprofessionals to build capacity around inclusive practices, social emotional learning, computer science, and restorative practices as well as subject matter competency, including science, technology, engineering and math.

- Local Property Tax Adjustments—$146.6 million Proposition 98 funds in 2018-19 and $142.1 million Proposition 98 funds in 2019-20 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues.

- Broadband Infrastructure—$15 million one-time non-Proposition 98 funds for broadband infrastructure.

- Classified School Employees Summer Assistance Program—$36 million one-time Proposition 98 funds to provide an additional year of funding, which provides a state match for classified employee savings used to provide income during summer months.

- Categorical Program COLA and Growth—A decrease of $7.4 million Proposition 98 General funds to selected categorical programs due to the decreased COLA and $7.6 million Proposition 98 funds for selected categorical programs, based on updated estimates of average daily attendance.

- Wildfire-Related Cost Adjustments—$2 million one-time Proposition 98 funds to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by 2017 and 2018 wildfires. Additionally, an increase of $727,000 one-time Proposition 98 funds to reflect adjustments to the state's student nutrition programs resulting from wildfire-related losses.

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

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIIIA of the California Constitution

Article XIIIA of the State Constitution ("Article XIIIA") limits the amount of *ad valorem* 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 base year value. 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 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 outstanding general obligation bonds of the District, including the Bonds. See "TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations" herein.

Article XIIIA requires a vote of two-thirds 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*, 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 principal of and interest on 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 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 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.

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% 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 California State Supreme Court have upheld the general validity of Article XIIIA.

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 State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the County by 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.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because 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 of the State Constitution ("Article XIIIB"), 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 to mean the percentage change in California 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 average daily attendance 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 certain debt service, (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 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. However, if a school district's revenues exceed its spending limit, such school district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

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 "–Proposition 98" and "–Proposition 111" below.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (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 California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

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

Proposition 98

On November 8, 1988, California voters 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, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of the State general fund revenues as the percentage appropriated to such districts in 1986-87, or (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 Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 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 district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 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 could 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 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 Governor's Budget.

Proposition 111

On June 5, 1990, the voters of California approved the Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

California 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. <u>Treatment of Excess Tax Revenues</u>. "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 is 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 the schools' 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. <u>Exclusions from Spending Limit</u>. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above 1990 levels (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 Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. <u>Recalculation of Appropriations Limit</u>. 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. <u>School Funding Guarantee</u>. 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 (the "first test") 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 (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, 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 the third test is used in any year, the difference between the third test and the second test 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, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (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 amendment 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 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 California Constitution previously limited property taxes to 1% of the value of property, and 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 buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement 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 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per $100,000 of taxable property value projected to be levied as the result of any single election be no more than $60 (for a unified school district), $30 (for a high school or elementary school district), or $25 (for a community college district), when assessed valuation is projected to increase in accordance with Article XIIIA of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Jarvis v. Connell

On May 29, 2002, the California 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 of California (the "Controller")). 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 California Constitution or a federal mandate is necessary for the 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 California Supreme Court upheld the holding of the Court of Appeal, stating that the 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 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 1A and Proposition 22

On November 2, 2004, California 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. 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 expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected 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, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide. ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to such redevelopment agency will be allocated to the Successor Agency, to be used for the payment of pass-through payments to local taxing entities and to any other "enforceable obligations" (as defined in the Dissolution Act), as well to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally requirement payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations. Tax revenues in excess of such amounts, if any, will be distributed to local taxing entities in the same proportions as other tax revenues.

The District can make no representations as to the extent to which its property tax apportionments may be offset by the future receipt of pass through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2017. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $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 temporary tax increases were included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98" and "– Proposition 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases were 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 were and will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds are 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 boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 55

At the November 8, 2016 general election, the voters in the State approved the Tax Extension of Education and Healthcare Initiative ("Proposition 55") which extends the increase in personal income tax on high-income taxpayers imposed under Proposition 30 until 2030. Proposition 55 did not extend the sales and excise tax increases imposed under Proposition 30 which expired in 2016.

Proposition 51

The Kindergarten through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) was a voter initiative that was approved by voters in the State on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in 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 districts lack 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 school ($500 million) and technical education ($500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools 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 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 that it will either pursue or qualify for Proposition 51 State facilities funding.

Proposition 2

Proposition 2, a legislatively referred Constitutional amendment approved by the voters in November, 2014 ("Proposition 2"), changed the way in which the State pays off existing debts, funds its reserves and draws from those reserves in times of economic slowdowns, as well as requires that reserves be set aside for schools and community colleges under certain circumstances. In addition, as a result of the passage of Proposition 2, new rules for school district reserves were implemented.

Under Proposition 2, the State is required annually to deposit 1.5% of general fund revenues into the Budget Stabilization Account ("BSA"). From fiscal year 2015-16 through 2029-30, under Proposition 2, one half of the amount required to be deposited to the BSA must be applied to the payment of debts for pension and retiree benefits and specified debts to local governments and certain other State accounts. In years when capital gains tax revenues exceed 8% of general fund revenues, a portion of such excess capital gains tax revenue is also required to be applied to the pay down of State debt. Deposits to the BSA are required until the amount on hand in the BSA reaches 10% of general fund revenues. Once the maximum has been reached, the required deposit amount may be applied to other expenditures.

In the event the Governor were to declare a budget emergency, Proposition 2 would permit a smaller deposit to the BSA. A budget emergency may be called if there is a natural disaster such as an earthquake or flood or general fund revenues reach a certain minimum level. Withdrawals from the BSA, under Proposition 2, are permitted upon a majority vote of the legislature only when the Governor has declared a budget emergency. If a budget emergency is called for two straight years in a row, in the second budget emergency year, the entire amount on hand might be withdrawn.

Public School System Stabilization Account. In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of general fund revenues, a portion of such excess is required to be deposited into the newly established under Proposition 2 Public School System Stabilization Account which serves as a reserve account for school funding in years when the State budget is smaller.

SB 858 and SB 751. State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state's minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. SB 751, which was adopted in October 2017 and amended Section 42127.01 of the Education Code, placed certain restrictions on the amount of a school district's ending fund balances if a certain amount of funds is available in the State's PSSSA. In a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts for that fiscal year, (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES—Proposition 98"), a school district's adopted or revised budget may not contain an assigned or unassigned ending fund balance higher than 10% of expenditures and other financing uses. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period. SB 751 does not apply to school districts with an ADA of less than 2,501 students and basic aid school districts.

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The PSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn.

The District is required to maintain a reserve for economic uncertainties at least equal to 4% of general fund expenditures and other financing uses. On June 30, 2018, the District had unassigned available reserves of $1,532,032, or approximately 17.6% of outgo. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District's current policies on reserves.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 26, 98 and 111 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.

HAMILTON UNIFIED SCHOOL DISTRICT

Introduction

The District was established on July 1, 2009 upon the unification of Hamilton High School District and Hamilton Elementary School District. The District is located in Hamilton City in Glenn County (the "County"), approximately 10 miles west of the City of Chico in the northwest portion of the County. The District serves the communities of Hamilton City, Ord Bend, and Capay. The District operates one elementary school providing kindergarten through eighth grade education services, and one high school serving grades nine through twelve. The District also operates two community day schools, one continuation high school, one preschool and an adult education program. Capay Joint Union Elementary School District ("CJUESD") was a feeder elementary district prior to unification and is partially located in the County. While CJUESD did not join the unification, its students may elect to attend high school in the District. The average daily attendance ("ADA") for the District for fiscal year 2018-19 is estimated to be 692 students and the District has a 2018-19 total assessed valuation of $367,064,522. The audited financial statements for the District for the fiscal year ended June 30, 2018 are attached hereto as APPENDIX B.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Hamilton Unified School District, 620 Canal Street, Hamilton City, California 95951, Attention: Superintendent.

Board of Education

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

BOARD OF TRUSTEES
Hamilton Unified School District

Name	Office	Term Expires December
Gabriel Leal	President	2020
Hubert "Wendall" Lower	Clerk	2020
Rod Boone	Trustee	2020
Ray Odom	Trustee	2022
Genaro Reyes	Trustee	2022

Source: The District.

The Superintendent of the District is responsible for administering the day-to-day affairs of the District in accordance with the policies of the Board. Brief biographies of the Superintendent and Chief Business Official, follow:

Charles Tracy– Superintendent. Superintendent Tracy has served as the Superintendent of the District since July 2011. Prior to working for the District, Mr. Tracy served as a site principal at Oroville Union High School District. Mr. Tracy earned both a Bachelor of Arts degree and a Masters of Education degree from Chapman University.

Diane Holliman – Chief Business Official. Ms. Holliman has served as the Chief Business Official of the District since October 2011. Prior to working for the District, Ms. Holliman worked at the Glenn County Office of Education. Ms. Holliman received her Chief Business Official certification in 2004.

Changes in Executive Management

In December 2018, Charles Tracy announced his retirement as Superintendent of the District, to become effective at the end of the 2018-19 fiscal year. The District has identified a superintendent to serve the District upon Mr. Tracy's retirement; and the Board of Trustees has hired Dr. Jeremy Powell to serve as District Superintendent beginning July 1, 2019. Dr. Powell has more than twenty years' experience in education, having most recently served as the special education director for Burton Unified School District. Superintendent Tracy is actively engaged with Dr. Powell during this transitional period and until June 30, 2019 when he retires.

Diane Holliman will also retire at the end of the 2018-19 fiscal year. The District's Board has hired Kristen Hamman to serve as the District's Chief Business Official upon Ms. Holliman's retirement. Ms. Hamman has been with the District for the past eight years, serving in the Business Office, and has gone through the California Association for School Business Officials (CASBO) certification program for Chief Business Officials. Ms. Holliman is actively engaged with Ms. Hamman during this transitional period and until June 30, 2019 when she retires.

Employees and Labor Relations

The District employs approximately 45 full-time equivalent ("FTE") certificated employees, approximately 19 FTE classified employees and approximately 12 management, supervisory and confidential FTE employees.

The certificated employees of the District have assigned the Hamilton Teachers' Association ("HTA") as their exclusive bargaining agent. The contract between the District and HTA expires on June 30, 2020. The classified employees have assigned California School Employees Association, Chapter 623 ("CSEA") as their exclusive bargaining agent. The contract between the District and CSEA expires on June 30, 2020.

District Retirement Systems

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 16.28% of eligible salary expenditures, while participants contribute either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 9.828% of teacher payroll. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions will also increase from 8.00% to a total of 10.25% of pay, phased in over the three year period from 2014-15 through 2017-18. The State's total contribution will also increase from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the STRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to A.B. 1469, school districts' contribution rates will increase over a seven-year phase-in period in accordance with the following schedule:

SCHOOL DISTRICT CONTRIBUTION RATES
State Teachers' Retirement Fund

Effective Date (July 1)	School District Contribution Rate to STRS
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	18.13
2020	19.10

The District contributed $262,013 to STRS for fiscal year 2014-15, $327,759 for fiscal year 2015-16, $400,723 for fiscal year 2016-17 and $480,098 for fiscal year 2017-18. Such contributions were equal to 100% of the required contributions for the respective years. The District has budgeted a contribution of $526,438 for fiscal year 2018-19. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

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, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19, while participants enrolled in PERS (whether enrolled prior to or subsequent to January 1, 2013) contribute 7% of their respective salaries.

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

The District contributed $121,898 to PERS for fiscal year 2014-15, $131,477 for fiscal year 2015-16, $167,570 for fiscal year 2016-17 and $216,394 for fiscal year 2017-18, which amounts equaled 100% of required contributions to PERS. The District has budgeted a contribution of $221,256 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 PERS and STRS as of July 1, 2018.

FUNDED STATUS
STRS (DEFINED BENEFIT PROGRAM) and PERS
Actuarial Valuation as of July 1, 2018
(Dollar Amounts in Millions) [(1)]

Plan	Accrued Liability	Market Value of Trust Assets	Unfunded Liability
Public Employees Retirement Fund (PERS)	$92,071	$64,846	($27,225)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	297,600	190,400	(107,200)

(1) Rows may not sum to totals due to rounding.
Source: PERS State & Schools Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

Unlike PERS, STRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS participants hired after the Implementation Date will vary from year-to-year based on actuarial valuations. See "—California Public Employees' Pension Reform Act of 2013" below. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. AB 1469 is intended to address this unfunded liability. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employee's 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 to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, 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 (currently 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the

Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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.

The District's proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2018, are as shown in the following table.

Pension Plan	Proportionate Share of Net Pension Liability
STRS	$5,517,090
PERS	2,255,628
Total	$7,772,718

Source: The District.

For further information about the District's contributions to PERS and STRS, see Note 10A and Note 10B, respectively, in the District's audited financial statements for fiscal year ended June 30, 2018 attached hereto as APPENDIX B.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.* The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. In June 2015, GASB replaced Statement No. 45 with Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which the District has implemented in fiscal year 2017-18.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits") while in retirement must meet specific criteria, *i.e.*, age and years with the District. The District provides Health & Welfare Benefits to certificated and classified and confidential management employees, and not their dependents, who retire from the District after age 55 with at least 10 years of service to the District. Classified Confidential employees who retire after age 50 with at least 10 years of service are also entitled to Health & Welfare Benefits. Finally, a superintendent who retires from the District after age 55 with at least 5 years of service is entitled to Health & Welfare Benefits.

Per the District's 2017-18 audited financial statements, at July 1, 2017, seven retirees met these qualifications with 64 employees earning service credit towards eligibility.

The District makes contributions based on an actuarially determined rate, which is subject to approval by the District's governing board. No assets are accumulated in a trust that meets the criteria of GASB Statement No. 75. The District's total OPEB liability was $1,147,101 as of June 30, 2017, the date of the actuarial valuation, for the reporting period July 1, 2017 to June 30, 2018.

The following table shows the total and net changes in the District's Health and Welfare Benefits during the fiscal year ended June 30, 2018, for the measurement date of July 1, 2017.

HAMILTON UNIFIED SCHOOL DISTRICT
Net Changes in Health and Welfare Benefits

Total OPEB Liability	July 1, 2017
Service Cost	$ 57,643
Interest	35,569
Benefit payments[1]	(163,783)
Net Change in Total OPEB Liability	(70,571)
Total OPEB liability - beginning	1,217,672
Total OPEB liability - ending	$1,147,101
Covered Payroll at Measurement Date	$4,720,386
Total OPEB Liability as a % of Covered Payroll	24.30%

[1] Includes pay-as-you-go contributions made from sources outside of trust and an implicit subsidy associated with benefits paid.
Source: The District.

For more information relating to Health and Welfare benefits, see note 9 in the District's audited financial statements for fiscal year ended June 30, 2018 attached hereto as APPENDIX B.

Risk Management

The District participates in two joint powers agreements with the following entities: California Valued Trust ("CVT"), to provide health and welfare benefits, and Golden State Risk Management Authority ("GSRM" and together with CVT, the "JPAs"), to provide property, liability, and workers' compensation coverage. The District pays a premium commensurate with the level of coverage requested.

The relationships between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes. See APPENDIX B – "HAMILTON UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2018 – Note 12" hereto.

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

District Debt Structure

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

HAMILTON UNIFIED SCHOOL DISTRICT
Long-Term Debt

	Restated Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
Governmental Activities					
General Obligation Bonds	$ 569,800	--	$ 72,600	$ 497,200	$ 72,100
Early retirement incentive	185,432	--	44,212	141,220	44,212
Total OPEB liability	1,217,672	--	--	1,147,101	--
Compensated Absences	18,910	11,972	70,571	30,882	--
Net Pension Liability	6,759,054	1,013,664	--	7,772,718	--
Total	$8,750,868	$1,025,636	$187,383	$9,589,121	$116,312

Source: The District.

General Obligation Bonds. At an election held April 14, 1998, the voters within the District authorized $1,340,000 in principal amount of general obligation bonds (the "1998 Authorization") in order to construct and acquire a new library and classrooms for Hamilton High School. On August 20, 1998, the District issued its only series of general obligation bonds pursuant to the 1998 Authorization, in an aggregate principal amount of $1,340,000 (the "1998 Bonds").

On August 30, 2011, the District issued its 2011 general obligation refunding note, in an aggregate principal amount of $886,200 (the "2011 Note") to redeem the then-outstanding 1998 Bonds. The principal balance of the 2011 Note outstanding on June 30, 2018 was $497,200. See "DEBT SERVICE SCHEDULES – Debt Service on All Outstanding General Obligation Bonds" herein.

Certificates of Participation. The District has no outstanding certificates of participation.

Capital Leases. The District has no outstanding capital leases.

GLENN COUNTY POOLED INVESTMENT FUND

The following information concerning the Glenn County Pooled Investment Fund has been provided by the County Treasurer and has not been confirmed or verified by the District. No representation is made herein 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.

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

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

GLENN COUNTY
POOLED INVESTMENT FUND
PORTFOLIO REVIEW FOR QUARTER ENDED MARCH 31, 2019

Portfolio Composition:

Book Value of Assets Held	$ 86,830,903.00
Market Value of Assets Held	86,976,136.00
Assets Maturing Within 90 Days	26,560,604.00
Percentage of Market to Book Value	100.17%
Weighted Average Maturity	672 days

Return on Assets:

Apportioned Earnings - Quarter Ended	1.58%

The District has not made an independent investigation of the investments in the Pools and has made no assessment of the current County Investment Policy. The value of the various investments in the Pools will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, after a review by the Committee and approval by the Board may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pools will not vary significantly from the values described therein.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than 9 months following the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District has entered into a Continuing Disclosure Agreement ("Continuing Disclosure Agreement") for the benefit of the Owners of the Bonds. The Annual Report and each notice of material events will be filed by the District with the Electronic Municipal Markets Access system ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX D –

"FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The District has engaged Isom Advisors, a Division of Urban Futures Incorporated, to act as Dissemination Agent with respect to the undertaking to be entered into with respect to the Bonds and to assist the District with compliance with the Continuing Disclosure Agreement and future continuing disclosure obligations.

LEGAL MATTERS

The legal opinion of Dannis Woliver Kelley, Long Beach, California, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds, will be supplied to the Underwriter of the Bonds without charge, a form of which is attached hereto as APPENDIX A. Dannis Woliver Kelley is also acting as Disclosure Counsel to the District. Kutak Rock LLP, Denver, Colorado, is acting as counsel to the Underwriter. Bond Counsel and Disclosure Counsel and Underwriter's Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial 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.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Resolution and the Act require the County to annually 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 the principal of, premium, if any, and interest on the Bonds. The County, on behalf of the District, is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County's Investment Pool, as described in APPENDIX E – "GLENN COUNTY INVESTMENT POLICY STATEMENT" attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the District's Interest and Sinking Fund where such amounts are invested in the County Investment Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

Statutory Lien

Government Code Section 53515, applicable to general obligations bonds issued after January 1, 2016, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), Section 53515, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

TAX MATTERS

The delivery of the Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), of the owners thereof pursuant to section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Bonds is exempt from personal income taxes of the State of California. The form of Bond Counsel's anticipated opinion respecting the Bonds is included in APPENDIX A. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate (the "Tax Certificate") of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Resolution by the District subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any "arbitrage profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service ("IRS" or the "Service") or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the Service is likely to treat the District as the "taxpayer," and the Owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the respective Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium on Certain of the Bonds

The initial public offering price of certain of the Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. The tax rules requiring inclusion in income annually by the holder of a debt instrument having original issue discount of the daily portion of original issue discount for each day during a taxable year in which such holder held such debt instrument is inapplicable to the Bonds. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, and will be added to the holder's basis in the Discount Bond, for federal income tax purposes, on the same terms and conditions as those for other interest on the bonds described above under "TAX MATTERS." Such interest is considered to be accrued in accordance with the constant-yield-to-maturity method over the life of a Discount Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Bond in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Bonds (the "Premium Bonds"), may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning Premium Bonds.

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

LEGALITY FOR INVESTMENT

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

BANK QUALIFICATION

The District has designated the Bonds as "qualified tax-exempt obligations," thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution's interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its municipal bond rating of "AA" to the Bonds, with the understanding that BAM will deliver the Policy at closing. S&P has also assigned its municipal bond rating of "A" to the Bonds without regard to the Policy. Such ratings reflect only the view of S&P and an explanation of the significance of such ratings may be obtained as follows: S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter") has agreed to purchase the Bonds at the purchase price of $________ (reflecting the principal amount of the Bonds plus a [net] original issue premium in the amount of $_______ less an Underwriter's discount of $_____, at the rates and yields shown on the inside cover hereof.

The Underwriter may offer and sell the Bonds to certain dealers and others at yields other than the yields stated on the cover page. The offering prices may be changed from time to time by the Underwriter.

NO LITIGATION

No litigation is pending concerning the validity of the Bonds, and the District's 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* taxes or to collect other revenues or contesting the District's ability to issue the Bonds.

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Hamilton Unified School District, 620 Canal Street, Hamilton City, California 95951.

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

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

HAMILTON UNIFIED SCHOOL DISTRICT

By: ____

Superintendent

APPENDIX A

FORM OF BOND COUNSEL OPINION

[Closing date]

Board of Trustees
Hamilton Unified School District
Hamilton City, California

Re: $___________ Hamilton Unified School District (Glenn County, California) General Obligation Bonds, 2018 Election, 2019 Series A

Ladies and Gentlemen:

We have acted as bond counsel for the Hamilton Unified School District (Glenn County, California) (the "District"), in connection with the issuance by the District of $___________ aggregate principal amount of the District's General Obligation Bonds, 2018 Election, 2019 Series A (the "Bonds"). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended and that certain resolution adopted by the Board of Trustees of the District on May 22, 2019 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the District and the County of Glenn as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any effect on the Bonds if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

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

1. The Bonds constitute valid and binding general obligations of the District, payable as to principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount except for certain personal property that is taxable at limited rates.

2. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. It is further our opinion, based upon the foregoing, that pursuant to section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance with the provisions of the Resolution and in reliance upon representations and certifications of the District made in the Tax Certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, when the Bonds are delivered to and paid for by the initial purchasers thereof, interest on the Bonds (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof.

In our opinion, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California.

We express no other opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, owners of an interest in a FASIT, individuals otherwise qualifying for the earned income tax credit, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above. The foregoing opinions are not a guarantee of results.

Respectfully submitted,

Dannis Woliver Kelley

APPENDIX B

HAMILTON UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2018

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Hamilton Unified School District

Audit Report

June 30, 2018

San Diego

Los Angeles

San Francisco Bay Area

christy white associates

A PROFESSIONAL ACCOUNTANCY CORPORATION

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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www.christywhite.com

Licensed by the California State Board of Accountancy

INDEPENDENT AUDITORS' REPORT

Governing Board
Hamilton Unified School District
Hamilton City, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As discussed in Notes 1 and 9 to the financial statements, in 2018 Hamilton Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of Hamilton Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hamilton Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hamilton Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 10, 2018

HAMILTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

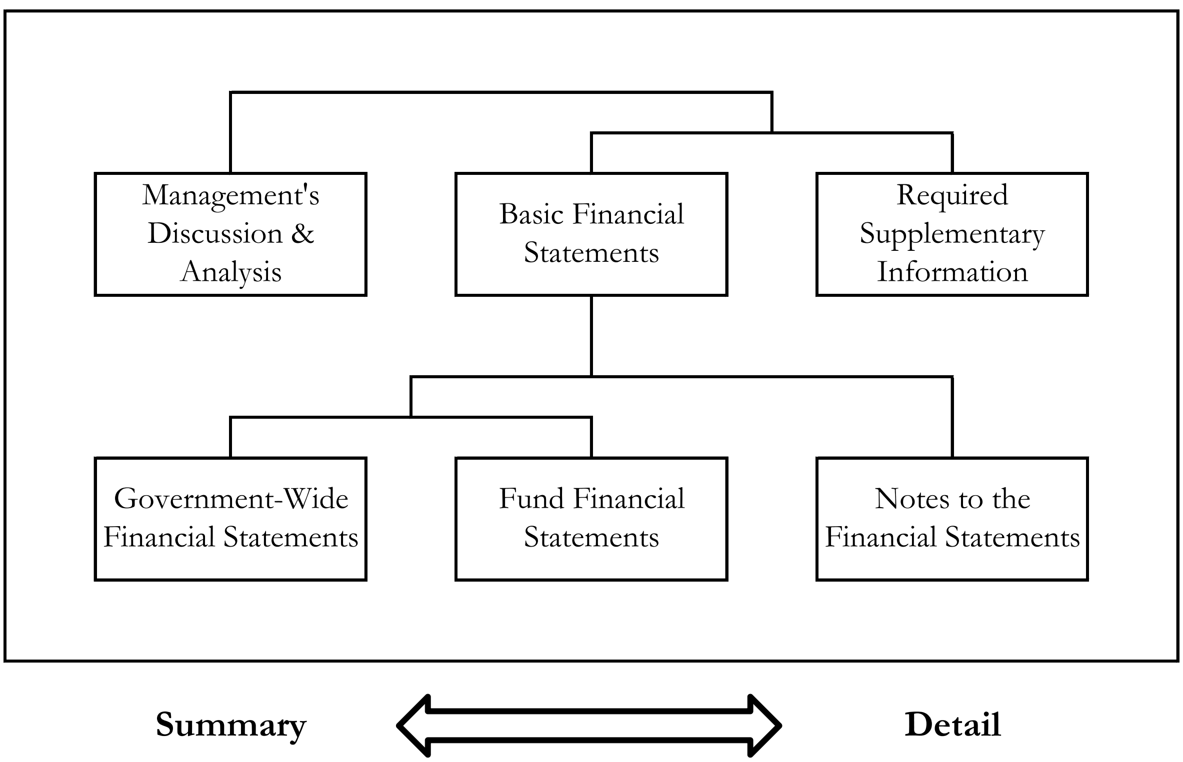
Our discussion and analysis of Hamilton Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was $1,588,288 at June 30, 2018. This was a decrease of $533,963 from the prior year after restatement.
- Overall revenues were $9,080,650 which was less than expenses of $9,614,613.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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

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

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

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

  - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $1,588,288 at June 30, 2018, as reflected in the table below. Of this amount, $(5,196,028) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2018	2017	Net Change
ASSETS			
Current and other assets	$ 3,704,928	$ 4,234,623	$ (529,695)
Capital assets	5,951,927	5,810,531	141,396
Total Assets	9,656,855	10,045,154	(388,299)
DEFERRED OUTFLOWS OF RESOURCES	2,609,278	1,591,614	1,017,664
LIABILITIES			
Current liabilities	701,972	519,302	182,670
Long-term liabilities	9,472,809	7,655,504	1,817,305
Total Liabilities	10,174,781	8,174,806	1,999,975
DEFERRED INFLOWS OF RESOURCES	503,064	361,159	141,905
NET POSITION			
Net investment in capital assets	5,454,727	5,240,731	213,996
Restricted	1,329,589	1,368,668	(39,079)
Unrestricted	(5,196,028)	(3,508,596)	(1,687,432)
Total Net Position	$ 1,588,288	$ 3,100,803	$ (1,512,515)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2018	2017	Net Change
REVENUES			
Program revenues			
Charges for services	$ 32,677	$ 37,577	$ (4,900)
Operating grants and contributions	1,175,415	1,747,334	(571,919)
General revenues			
Property taxes	1,561,966	1,490,547	71,419
Unrestricted federal and state aid	5,926,227	6,357,681	(431,454)
Other	384,365	219,840	164,525
Total Revenues	9,080,650	9,852,979	(772,329)
EXPENSES			
Instruction	5,062,754	5,148,292	(85,538)
Instruction-related services	1,245,189	1,324,141	(78,952)
Pupil services	961,545	861,522	100,023
General administration	743,046	632,710	110,336
Plant services	938,943	1,743,213	(804,270)
Debt service	21,639	25,160	(3,521)
Other outgo	641,497	597,451	44,046
Total Expenses	9,614,613	10,332,489	(717,876)
Change in net position	(533,963)	(479,510)	(54,453)
Net Position - Beginning, as Restated*	2,122,251	3,580,313	(1,458,062)
Net Position - Ending	$ 1,588,288	$ 3,100,803	$ (1,512,515)

** Beginning Net Position was restated for the 2018 year only*

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The total cost of all our governmental activities this year was $9,614,613, while net cost of services was only $8,406,521 (refer to the table below). The amount that our taxpayers ultimately financed for these activities through taxes was only $1,561,966 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	Net Cost of Services	
	2018	**2017**
Instruction	$ 4,634,749	$ 4,140,739
Instruction-related services	1,061,306	1,170,037
Pupil services	477,497	416,766
General administration	711,259	609,950
Plant services	858,574	1,587,646
Debt service	21,639	25,160
Transfers to other agencies	641,497	597,280
Total Expenses	$ 8,406,521	$ 8,547,578

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $3,128,176, which is less than last year's ending fund balance of $3,842,342. The District's General Fund had $665,777 less in operating revenues than expenditures for the year ended June 30, 2018.

CURRENT YEAR BUDGET 2017-2018

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-2018 the District had invested $5,951,927 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2018	2017	Net Change
CAPITAL ASSETS			
Land	$ 293,887	$ 293,887	$ -
Construction in progress	439,471	-	439,471
Land improvements	604,362	604,362	-
Buildings & improvements	9,278,697	9,278,697	-
Furniture & equipment	1,629,370	1,600,215	29,155
Accumulated depreciation	(6,293,860)	(5,966,630)	(327,230)
Total Capital Assets	$ 5,951,927	$ 5,810,531	$ 141,396

Long-Term Liabilities

At year-end, the District had $9,472,809 in long-term liabilities, a 9.71% increase from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2018	2017	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 497,200	$ 569,800	$ (72,600)
Early retirement incentive	141,220	185,432	(44,212)
Compensated absences	30,882	18,910	11,972
Total OPEB liability*	1,147,101	1,217,672	(70,571)
Net pension liability	7,772,718	6,759,054	1,013,664
Less: current portion of long-term debt	(116,312)	(116,812)	500
Total Long-term Liabilities	$ 9,472,809	$ 8,634,056	$ 838,753

**Total OPEB liability for 2017 was restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75 which supersedes GASB Statement No. 45 for the year ended June 30, 2018.*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

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

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2018. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

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

All of these factors were considered in preparing the District's budget for the 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office, Hamilton Unified School District, 620 Canal Street, PO Box 488; Hamilton City, CA 95951.

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

		Governmental Activities
ASSETS		
Cash and investments	$	3,444,863
Accounts receivable		253,677
Inventory		6,388
Capital assets, not depreciated		733,358
Capital assets, net of accumulated depreciation		5,218,569
Total Assets		9,656,855
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		2,494,861
Deferred outflows related to OPEB		114,417
Total Deferred Outflows of Resources		2,609,278
LIABILITIES		
Accrued liabilities		585,660
Long-term liabilities, current portion		116,312
Long-term liabilities, non-current portion		9,472,809
Total Liabilities		10,174,781
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		503,064
Total Deferred Inflows of Resources		503,064
NET POSITION		
Net investment in capital assets		5,454,727
Restricted:		
Capital projects		103,436
Debt service		147,080
Educational programs		923,437
All others		155,636
Unrestricted		(5,196,028)
Total Net Position	$	1,588,288

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

HAMILTON UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Function/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
GOVERNMENTAL ACTIVITIES				
Instruction	$ 5,062,754	$ 421	$ 427,584	$ (4,634,749)
Instruction-related services				
Instructional supervision and administration	299	-	-	(299)
Instructional library, media, and technology	219,168	745	-	(218,423)
School site administration	1,025,722	398	182,740	(842,584)
Pupil services				
Home-to-school transportation	167,852	-	-	(167,852)
Food services	592,717	30,352	451,678	(110,687)
All other pupil services	200,976	-	2,018	(198,958)
General administration				
All other general administration	743,046	-	31,787	(711,259)
Plant services	938,943	761	79,608	(858,574)
Interest on long-term debt	21,639	-	-	(21,639)
Other outgo	641,497	-	-	(641,497)
Total Governmental Activities	$ 9,614,613	$ 32,677	$ 1,175,415	(8,406,521)
	General revenues			
	Taxes and subventions			
	Property taxes, levied for general purposes			1,488,371
	Property taxes, levied for debt service			73,595
	Federal and state aid not restricted for specific purposes			5,926,227
	Interest and investment earnings			33,683
	Miscellaneous			350,682
	Subtotal, General Revenue			7,872,558
	CHANGE IN NET POSITION			(533,963)
	Net Position - Beginning, as Restated			2,122,251
	Net Position - Ending			$ 1,588,288

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

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	$ 2,921,308	$ 523,555	$ 3,444,863
Accounts receivable	186,055	67,622	253,677
Due from other funds	42,719	7,830	50,549
Stores inventory	-	6,388	6,388
Total Assets	$ 3,150,082	$ 605,395	$ 3,755,477
LIABILITIES			
Accrued liabilities	$ 567,415	$ 9,337	$ 576,752
Due to other funds	7,830	42,719	50,549
Total Liabilities	575,245	52,056	627,301
FUND BALANCES			
Nonspendable	10,000	6,388	16,388
Restricted	825,070	513,427	1,338,497
Committed	-	33,524	33,524
Assigned	207,735	-	207,735
Unassigned	1,532,032	-	1,532,032
Total Fund Balances	2,574,837	553,339	3,128,176
Total Liabilities and Fund Balances	$ 3,150,082	$ 605,395	$ 3,755,477

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

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

Total Fund Balance - Governmental Funds			$ 3,128,176
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:			
Capital assets:			
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated			
Capital assets	$	12,245,787	
Accumulated depreciation		(6,293,860)	5,951,927
Unmatured interest on long-term debt:			
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(8,908)
Long-term liabilities:			
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
Total general obligation bonds	$	497,200	
Early retirement incentive		141,220	
Compensated absences		30,882	
Total OPEB liability		1,147,101	
Net pension liability		7,772,718	(9,589,121)
Deferred outflows and inflows of resources relating to pensions:			
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to			
Deferred outflows of resources related to pensions	$	2,494,861	
Deferred inflows of resources related to pensions		(503,064)	1,991,797
Deferred outflows and inflows of resources relating to OPEB:			
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are			
Deferred outflows of resources related to OPEB	$	114,417	
Deferred inflows of resources related to OPEB		-	114,417
Total Net Position - Governmental Activities			$ 1,588,288

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

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	$ 7,117,478	$ 53,000	$ 7,170,478
Federal sources	275,214	467,503	742,717
Other state sources	760,177	351,443	1,111,620
Other local sources	110,634	116,814	227,448
Total Revenues	8,263,503	988,760	9,252,263
EXPENDITURES			
Current			
Instruction	4,920,948	239,520	5,160,468
Instruction-related services			
Instructional supervision and administration	299	-	299
Instructional library, media, and technology	204,769	-	204,769
School site administration	919,262	80,131	999,393
Pupil services			
Home-to-school transportation	102,676	-	102,676
Food services	5,613	543,900	549,513
All other pupil services	194,954	-	194,954
General administration			
All other general administration	696,353	-	696,353
Plant services	812,555	68,940	881,495
Facilities acquisition and maintenance	430,354	9,118	439,472
Transfers to other agencies	641,497	-	641,497
Debt service			
Principal	-	72,600	72,600
Interest and other	-	22,940	22,940
Total Expenditures	8,929,280	1,037,149	9,966,429
Excess (Deficiency) of Revenues Over Expenditures	(665,777)	(48,389)	(714,166)
Other Financing Sources (Uses)			
Transfers in	-	36	36
Transfers out	-	(36)	(36)
Net Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCE	(665,777)	(48,389)	(714,166)
Fund Balance - Beginning	3,240,614	601,728	3,842,342
Fund Balance - Ending	$ 2,574,837	$ 553,339	$ 3,128,176

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

HAMILTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Governmental Funds			$	(714,166)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:				
Capital outlay:				
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period				
Expenditures for capital outlay:	$	475,035		
Depreciation expense:		(333,639)		141,396
Debt service:				
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-				72,600
Unmatured interest on long-term debt:				
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period 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:				1,301
Compensated absences:				
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:				(11,972)
Postemployment benefits other than pensions (OPEB):				
In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:				184,988

(continued on next page)

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

Pensions:		
In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:		(252,322)
Other liabilities not normally liquidated with current financial resources:		
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:		44,212
Change in Net Position of Governmental Activities	$	(533,963)

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

	Trust Funds	Agency Funds
	Private-Purpose Trust Fund	Student Body Fund
ASSETS		
Cash and investments	$ 32,636	$ 163,671
Total Assets	32,636	$ 163,671
LIABILITIES		
Due to student groups	-	$ 163,671
Total Liabilities	-	$ 163,671
NET POSITION		
Restricted	32,636	
Total Net Position	$ 32,636	

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

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

	Trust Funds
	Private-Purpose Trust Fund
ADDITIONS	
Contributions	$ 10,409
Total Additions	10,409
DEDUCTIONS	
Other trust activities	9,424
Total Deductions	9,424
CHANGE IN NET POSITION	985
Net Position - Beginning	31,651
Net Position - Ending	$ 32,636

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds. 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 non-major funds.

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

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

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

Non-Major Governmental Funds

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

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

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (Education Code Sections 52616[b] and 52501.5[a]).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections* 38090–38093). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections* 38091 and 38100).

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Private-Purpose Trust Fund: The Private-Purpose Trust Fund is a scholarship trust fund, and consists only of accounts such as cash and balancing net position accounts.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections* 48930–48938).

D. Basis of Accounting – Measurement Focus

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

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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

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

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

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

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

Expenses/Expenditures
On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories are valued at historical 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.

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair acquisition value as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings and Improvements	25 – 50 years
Furniture and Equipment	15 – 20 years
Vehicles	8 years

Interfund Balances

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

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

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

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 75 for the year ended June 30, 2018.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard's primary objective 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]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

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

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

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Total Governmental Activities	Fiduciary Funds
Investment in county treasury	$ 3,429,863	$ -
Cash on hand and in banks	5,000	196,307
Cash in revolving fund	10,000	-
Total cash and investments	$ 3,444,863	$ 196,307

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Glenn County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $3,424,057 and an amortized book value of $3,429,863.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2018, the pooled investments in the County Treasury were not rated.

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

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

The District's fair value measurements at June 30, 2018 were as follows:

	Uncategorized
Investment in county treasury	$ 3,424,057
Total fair market value of investments	$ 3,424,057

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	$ 17,109	$ 54,938	$ 72,047
State Government			
Categorical aid	-	6,703	6,703
Lottery	29,484	-	29,484
Local Government			
Other local sources	139,462	5,981	145,443
Total	$ 186,055	$ 67,622	$ 253,677

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	$ 293,887	$ -	$ -	$ 293,887
Construction in progress	-	439,471	-	439,471
Total Capital Assets not Being Depreciated	293,887	439,471	-	733,358
Capital assets being depreciated				
Land improvements	604,362	-	-	604,362
Buildings & improvements	9,278,697	-	-	9,278,697
Furniture & equipment	1,600,215	35,564	6,409	1,629,370
Total Capital Assets Being Depreciated	11,483,274	35,564	6,409	11,512,429
Less Accumulated Depreciation				
Land improvements	441,706	15,837	-	457,543
Buildings & improvements	4,433,228	243,372	-	4,676,600
Furniture & equipment	1,091,696	74,430	6,409	1,159,717
Total Accumulated Depreciation	5,966,630	333,639	6,409	6,293,860
Governmental Activities				
Capital Assets, net	$ 5,810,531	$ 141,396	$ -	$ 5,951,927

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense is allocated to governmental functions as follows:

Governmental Activities		
Instruction	$	206,022
Home-to-school transportation		60,911
Food services		23,933
All other pupil services		7,033
All other general administration		10,305
Plant services		25,435
Total depreciation expense	$	333,639

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2018 were as follows:

	Due From Other Funds					
Due To Other Funds		**General Fund**		**Non-Major Governmental Funds**		**Total**
General Fund	$	-	$	7,830	$	7,830
Non-Major Governmental Funds		42,719		-		42,719
Total Due From Other Funds	$	42,719	$	7,830	$	50,549

The General Fund owed the Non-Major Child Development Fund for expenditures related to CTE.	$	7,830
The Non-Major Adult Education Fund owed the General Fund for expenditures related to modular classroom.		32,719
The Non-Major Child Development Fund owed the General Fund for repayment of a temporary loan.		10,000
Total	$	50,549

B. Operating Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the Non-Major Special Reserve Fund for Capital Outlay Projects transferring $36 to the Non-Major Deferred Maintenance Fund to close out the fund.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	General Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	$ 34,446	$ 2,807	$ -	$ 37,253
Vendors payable	532,969	6,530	-	539,499
Unmatured interest	-	-	8,908	8,908
Total	$ 567,415	$ 9,337	$ 8,908	$ 585,660

NOTE 7 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Restated Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 569,800	$ -	$ 72,600	$ 497,200	$ 72,100
Early retirement incentive	185,432	-	44,212	141,220	44,212
Compensated absences	18,910	11,972	-	30,882	-
Total OPEB liability	1,217,672	-	70,571	1,147,101	-
Net pension liability	6,759,054	1,013,664	-	7,772,718	-
Total	$ 8,750,868	$ 1,025,636	$ 187,383	$ 9,589,121	$ 116,312

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for early retirement incentive are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Bonded Debt

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2017	Additions	Deductions	Bonds Outstanding June 30, 2018
2011 Refunding	August 30, 2011	August 1, 2023	4.30%	$ 886,200	$ 569,800	$ -	$ 72,600	$ 497,200
					$ 569,800	$ -	$ 72,600	$ 497,200

Election 1998

In an election held April 14, 1998, the voters authorized the District to issue and sell $1,340,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of constructing and acquiring a new library and classrooms for Hamilton High School.

NOTE 7 – LONG-TERM DEBT (continued)

A. Bonded Debt (continued)

Election 1998 (continued)

There was one issuance under this election, Series 1998, which was issued on August 6, 1998 with interest rates ranging from 3.90% to 4.70%. The original issuance consisted of $430,000 in current interest serial bonds and $910,000 in current interest term bonds. Interest accrues from August 1, 1998 and is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 1999. Principal is payable annually on August 1, commencing August 1, 2000 through the final maturity date of August 1, 2023. On August 30, 2011, the District issued Refunding Notes to redeem the outstanding bonds.

2011 Refunding Notes

On August 30, 2011, the District issued $886,200 of refunding notes. The notes were issued to redeem the outstanding Election 1998, Series 1998 bonds. The bonds were issued as current interest serial bonds and carry interest of 4.30%. The transaction resulted in an economic gain (difference between the present value of debt service on the old bonds and the new notes) of $30,720. The principal balance outstanding on June 30, 2018 amounted to $497,200.

B. Debt Service Requirements to Maturity – Bonds

The bonds mature through 2024 as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 72,100	$ 19,829	$ 91,929
2020	76,500	16,635	93,135
2021	80,800	13,253	94,053
2022	85,100	9,686	94,786
2023	89,300	5,936	95,236
2024	93,400	2,008	95,408
Total	$ 497,200	$ 67,347	$ 564,547

NOTE 7 – LONG-TERM DEBT (continued)

C. Early Retirement Incentives

The District entered into a supplementary retirement plan with the California State Teachers' Retirement System (CalSTRS) whereby 8 employees (2 in the 2010-11 fiscal year, 2 in the 2011-12 fiscal year, and 4 in the 2014-15 fiscal year) of the District elected to take early retirement in exchange for supplementary retirement benefits.

The District entered into a supplementary retirement plan with the California Public Employees' Retirement System (CalPERS) whereby 1 employee (in the 2014-15 fiscal year) of the District elected to take early retirement in exchange for supplementary retirement benefits.

Future payments for the early retirement plans are as follows:

Year Ended June 30,	Payment	
2019	$	55,079
2020		42,786
2021		28,341
2022		22,475
2023		21,010
Total minimum lease payments		169,691
Less amount representing interest		(28,471)
Present value of minimum lease payments	$	141,220

D. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to $30,882. This amount is included as part of long-term liabilities in the government-wide financial statements.

E. Other Postemployment Benefits

The District's restated beginning total OPEB liability was $1,217,672 and decreased by $70,571 during the year ended June 30, 2018. The ending total OPEB liability at June 30, 2018 was $1,147,101. See Note 9 for additional information regarding the total OPEB liability.

F. Net Pension Liability

The District's beginning net pension liability was $6,759,054 and increased by $1,013,664 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was $7,772,718. See Note 10 for additional information regarding the net pension liability.

NOTE 8 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable			
Revolving cash	$ 10,000	$ -	$ 10,000
Stores inventory	-	6,388	6,388
Total non-spendable	10,000	6,388	16,388
Restricted			
Educational programs	825,070	98,367	923,437
Capital projects	-	103,436	103,436
Debt service	-	155,988	155,988
All others	-	155,636	155,636
Total restricted	825,070	513,427	1,338,497
Committed			
Deferred maintenance	-	33,524	33,524
Total committed	-	33,524	33,524
Assigned			
Postemployment benefits	207,735	-	207,735
Total assigned	207,735	-	207,735
Unassigned			
Reserve for economic uncertainties	354,070	-	354,070
Remaining unassigned	1,177,962	-	1,177,962
Total unassigned	1,532,032	-	1,532,032
Total	$ 2,574,837	$ 553,339	$ 3,128,176

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 4 percent of General Fund expenditures and other financing uses.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Hamilton Unified School District administers a single employer defined benefit OPEB plan that provides medical, dental and vision insurance benefits to eligible retirees.

B. Benefits Provided

The District provides postemployment health care benefits based on the age and the years of service. District-paid benefits are subject to a cap and paid until age 65.

Employee Group	Age for Eligibility	Years for Eligibility
Certificated	55	15
Classified and Confidential Management	55	15
Classified Confidential	50	10
Superintendent	55	5

C. Contributions

The contribution requirements of Plan members and the Hamilton Unified School District are established and may be amended by the Hamilton Unified School District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

D. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	7
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	64
Total number of participants**	71

*Information not provided

**As of the July 1, 2017 valuation date

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

E. Total OPEB Liability

The Hamilton Unified School District's total OPEB liability of $1,147,101 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Assumptions:

Salary increases	3.00%
Medical cost trend rate	6.00% for 2017; 5.00% for 2018 and later
Dental, vision and other cost trend rate	4.00%
Employer cap adjustment	0.00%
Age adjustment factor	0.30%
Percent married	50.0%

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

The actuarial assumptions used in the June 30, 2017 valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2017.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

G. Changes in Total OPEB Liability

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 57,643
Interest on total OPEB liability	35,569
Benefits payments	(163,783)
Net change in total OPEB liability	(70,571)
Total OPEB liability - beginning	1,217,672
Total OPEB liability - ending	$ 1,147,101
Covered payroll	$ 4,720,386
District's total OPEB liability as a percentage of covered payroll	24.30%

The Hamilton Unified School District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a "roll-back" technique has been used.

H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Hamilton Unified School 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 (2.13 percent) or one percentage point higher (4.13 percent) than the current discount rate:

	1% Decrease (2.13%)	Valuation Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB liability	$ 1,226,824	$ 1,147,101	$ 1,073,085

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Hamilton Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.00 percent) or one percentage point higher (7.00 percent) than the current healthcare cost trend rate:

	1% Decrease (5.00%)	Valuation Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	$ 1,050,716	$ 1,147,101	$ 1,257,581

J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Hamilton Unified School District recognized OPEB expense of $(184,988). At June 30, 2018, the Hamilton Unified School District reported no deferred inflows of resources related to OPEB and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
District contributions subsequent to the measurement date	$ 114,417
	$ 114,417

The $114,417 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 10 – PENSION PLANS

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

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$ 5,517,090	$ 1,714,422	$ 468,081	$ 560,983
PERS Pension	2,255,628	780,439	34,983	387,831
Total	$ 7,772,718	$ 2,494,861	$ 503,064	$ 948,814

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

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

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

NOTE 10 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $480,098 for the year ended June 30, 2018.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $265,422 to CalSTRS.

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

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

District's proportionate share of the net pension liability	$	5,517,090
State's proportionate share of the net pension liability associated with the District		3,263,891
Total	$	8,780,981

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to 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. At June 30, 2017, the District's proportion was 0.006 percent, which did not change from its proportion measured as of June 30, 2016.

NOTE 10 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2018, the District recognized pension expense of $560,983. In addition, the District recognized pension expense and revenue of $93,809 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 146,935
Differences between expected and actual experience	20,403	96,226
Changes in assumptions	1,022,105	-
Changes in proportion and differences between District contributions and proportionate share of contributions	191,816	224,920
District contributions subsequent to the measurement date	480,098	-
	$ 1,714,422	$ 468,081

The $480,098 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 221,705	$ 185,953
2020	221,705	(28,764)
2021	221,705	50,494
2022	221,705	194,453
2023	173,751	52,452
2024	173,753	13,493
	$ 1,234,324	$ 468,081

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

*20-year geometric average

NOTE 10 – PENSION PLANS (continued)

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

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 8,100,840	$ 5,517,090	$ 3,420,202

Pension Plan Fiduciary Net Position

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

NOTE 10 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.5% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2018 was 15.531% of annual payroll. Contributions to the plan from the District were $216,394 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $2,255,628 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to 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. At June 30, 2017, the District's proportion was 0.009 percent, which did not change from its proportion measured as of June 30, 2016.

NOTE 10 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2018, the District recognized pension expense of $387,831. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 78,029	$ -
Differences between expected and actual experience	80,810	-
Changes in assumptions	329,470	26,557
Changes in proportion and differences between District contributions and proportionate share of contributions	75,736	8,426
District contributions subsequent to the measurement date	216,394	-
	$ 780,439	$ 34,983

The $216,394 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 190,300	$ 31,265
2020	242,246	3,718
2021	174,229	-
2022	(42,730)	-
	$ 564,045	$ 34,983

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

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

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

*An expected inflation of 2.50% used for this period.
**An expected inflation of 3.00% used for this period.

Discount Rate

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

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 3,318,752	$ 2,255,628	$ 1,373,678

NOTE 10 – PENSION PLANS (continued)

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

Pension Plan Fiduciary Net Position

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all other litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of two joint powers authorities (JPAs). The first is the California's Valued Trust to provide health and welfare benefits, and the other is the Golden State Risk Management Authority to provide property and liability insurance and workers' compensation insurance. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2018, total deferred outflows related to pensions was $2,494,861 and total deferred inflows related to pensions was $503,064.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 9. At June 30, 2018, total deferred outflows related to other postemployment benefits was $114,417.

NOTE 14 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ 3,100,803
Restatement	(978,552)
Net Position - Beginning, as Restated	$ 2,122,251

REQUIRED SUPPLEMENTARY INFORMATION

HAMILTON UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual*	Variances -
	Original	**Final**	**(Budgetary Basis)**	**Final to Actual**
REVENUES				
LCFF sources	$ 7,067,046	$ 7,185,902	$ 7,117,478	$ (68,424)
Federal sources	358,913	269,967	275,214	5,247
Other state sources	787,132	681,660	494,755	(186,905)
Other local sources	29,500	29,500	104,217	74,717
Total Revenues	8,242,591	8,167,029	7,991,664	(175,365)
EXPENDITURES				
Certificated salaries	3,541,054	3,478,295	3,417,974	60,321
Classified salaries	1,004,103	1,019,877	1,108,197	(88,320)
Employee benefits	1,761,703	1,738,796	1,738,294	502
Books and supplies	412,016	570,669	453,724	116,945
Services and other operating expenditures	888,247	1,023,959	909,672	114,287
Capital outlay	310,300	351,530	394,500	(42,970)
Other outgo				
Excluding transfers of indirect costs	418,978	565,616	641,497	(75,881)
Total Expenditures	8,336,401	8,748,742	8,663,858	84,884
Excess (Deficiency) of Revenues				
Over Expenditures	(93,810)	(581,713)	(672,194)	(90,481)
Other Financing Sources (Uses)				
Transfers out	(103,000)	(103,000)	(50,000)	53,000
Net Financing Sources (Uses)	(103,000)	(103,000)	(50,000)	53,000
NET CHANGE IN FUND BALANCE	(196,810)	(684,713)	(722,194)	(37,481)
Fund Balance - Beginning	2,669,277	2,669,277	2,669,277	-
Fund Balance - Ending	$ 2,472,467	$ 1,984,564	$ 1,947,083	$ (37,481)

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

- On-behalf payments of $265,422 are not included in the actual revenues and expenditures reported in this schedule.
- 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 Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 57,643
Interest on total OPEB liability	35,569
Benefits payments	(163,783)
Net change in total OPEB liability	(70,571)
Total OPEB liability - beginning	1,217,672
Total OPEB liability - ending	$ 1,147,101
Covered payroll	$ 4,720,386
District's total OPEB liability as a percentage of covered payroll	24.30%

See accompanying note to required supplementary information.

HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.006%	0.006%	0.006%	0.006%
District's proportionate share of the net pension liability	$ 5,517,090	$ 4,929,244	$ 4,289,136	$ 3,454,068
State's proportionate share of the net pension liability associated with the District	3,263,891	2,806,545	2,268,474	2,085,715
Total	$ 8,780,981	$ 7,735,789	$ 6,557,610	$ 5,539,783
District's covered payroll	$ 3,193,611	$ 3,041,124	$ 2,952,115	$ 2,632,667
District's proportionate share of the net pension liability as a percentage of its covered payroll	172.8%	162.1%	145.3%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

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

See accompanying note to required supplementary information.

HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.009%	0.009%	0.009%	0.009%
District's proportionate share of the net pension liability	$ 2,255,628	$ 1,829,810	$ 1,380,963	$ 1,064,892
District's covered payroll	$ 1,207,955	$ 1,113,685	$ 1,030,826	$ 984,697
District's proportionate share of the net pension liability as a percentage of its covered payroll	186.7%	164.3%	134.0%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

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

See accompanying note to required supplementary information.

HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 480,098	$ 400,723	$ 327,759	$ 262,013
Contributions in relation to the contractually required contribution*	(480,098)	(400,723)	(327,759)	(262,013)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 3,327,082	$ 3,193,611	$ 3,041,124	$ 2,952,115
Contributions as a percentage of covered payroll	14.43%	12.55%	10.78%	8.88%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 216,394	$ 167,570	$ 131,477	$ 121,898
Contributions in relation to the contractually required contribution	(216,394)	(167,570)	(131,477)	(121,898)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,393,304	$ 1,207,955	$ 1,113,685	$ 1,030,826
Contributions as a percentage of covered payroll	15.53%	13.87%	11.81%	11.83%

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Schedule of the District's Proportionate Share of the Net Pension Liability

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

Changes in Benefit Terms

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

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of District Contributions

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code, as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Classified salaries	$ 1,019,877	$ 1,108,197	$ 88,320
Capital outlay	$ 351,530	$ 394,500	$ 42,970
Other outgo			
Excluding transfers of indirect costs	$ 565,616	$ 641,497	$ 75,881

SUPPLEMENTARY INFORMATION

HAMILTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Report <9B4E3860>	Annual Report <A31DF83D>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	172.77	174.24
Fourth through Sixth		
Regular ADA	139.62	141.58
Seventh through Eighth		
Regular ADA	79.02	79.64
Ninth through Twelfth		
Regular ADA	280.80	282.07
TOTAL SCHOOL DISTRICT	672.21	677.53

See accompanying note to supplementary information.

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

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days	Status
Kindergarten	36,000	58,900	180	Complied
Grade 1	50,400	52,100	180	Complied
Grade 2	50,400	52,300	180	Complied
Grade 3	50,400	52,300	180	Complied
Grade 4	54,000	57,300	180	Complied
Grade 5	54,000	57,300	180	Complied
Grade 6	54,000	61,368	180	Complied
Grade 7	54,000	61,368	180	Complied
Grade 8	54,000	61,368	180	Complied
Grade 9	64,800	65,640	180	Complied
Grade 10	64,800	65,640	180	Complied
Grade 11	64,800	65,640	180	Complied
Grade 12	64,800	65,640	180	Complied

See accompanying note to supplementary information.

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

	2019 (Budget)	2018	2017	2016
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 8,338,953	$ 7,991,664	$ 7,982,174	$ 8,411,378
Expenditures And Other Financing Uses	8,542,143	8,713,858	8,052,990	7,844,043
Net change in Fund Balance	$ (203,190)	$ (722,194)	$ (70,816)	$ 567,335
Ending Fund Balance	$ 1,743,893	$ 1,947,083	$ 2,669,277	$ 2,740,093
Available Reserves*	$ 1,389,042	$ 1,532,032	$ 2,231,952	$ 2,449,535
Available Reserves As A Percentage Of Outgo	16.26%	17.58%	27.72%	31.23%
Long-term Debt	$ 9,472,809	$ 9,589,121	$ 7,772,316	$ 6,825,197
Average Daily Attendance At P-2	663	672	669	712

The General Fund balance has decreased by $793,010 over the past two years. The fiscal year 2018-19 budget projects a decrease of $203,190. For a District this size, the State recommends available reserves of at least 4% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term obligations have increased by $2,763,924 over the past two years.

Average daily attendance has decreased by 40 ADA over the past two years. A decrease of 9 ADA is anticipated during the 2018-19 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

**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 Other Than Capital Outlay Projects and Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54. On-behalf payments of $265,422 are not included in the actual revenues and expenditures reported in this schedule.

See accompanying note to supplementary information.

HAMILTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Postemployment Benefits
June 30, 2018, annual financial and budget report fund balance	$ 1,947,083	$ 420,019	$ 207,735
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	627,754	(420,019)	(207,735)
Net adjustments and reclassifications	627,754	(420,019)	(207,735)
June 30, 2018, audited financial statement fund balance	$ 2,574,837	$ -	$ -

See accompanying note to supplementary information.

HAMILTON UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS								
Cash and investments	$ 88,524	$ 1,543	$ 145,791	$ 33,340	$ 102,936	$ -	$ 151,421	$ 523,555
Accounts receivable	45,792	3,535	13,044	184	500	-	4,567	67,622
Due from other funds	-	7,830	-	-	-	-	-	7,830
Stores inventory	-	-	6,388	-	-	-	-	6,388
Total Assets	$ 134,316	$ 12,908	$ 165,223	$ 33,524	$ 103,436	$ -	$ 155,988	$ 605,395
LIABILITIES								
Accrued liabilities	$ 5,622	$ 516	$ 3,199	$ -	$ -	$ -	$ -	$ 9,337
Due to other funds	32,719	10,000	-	-	-	-	-	42,719
Total Liabilities	38,341	10,516	3,199	-	-	-	-	52,056
FUND BALANCES								
Non-spendable	-	-	6,388	-	-	-	-	6,388
Restricted	95,975	2,392	155,636	-	103,436	-	155,988	513,427
Committed	-	-	-	33,524	-	-	-	33,524
Total Fund Balances	95,975	2,392	162,024	33,524	103,436	-	155,988	553,339
Total Liabilities and Fund Balance	$ 134,316	$ 12,908	$ 165,223	$ 33,524	$ 103,436	$ -	$ 155,988	$ 605,395

See accompanying note to supplementary information.

HAMILTON UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES								
LCFF sources	$ -	$ -	$ -	$ 53,000	$ -	$ -	$ -	$ 53,000
Federal sources	45,682	-	421,821	-	-	-	-	467,503
Other state sources	194,225	129,462	28,283	-	-	-	(527)	351,443
Other local sources	2,766	129	31,925	296	6,060	-	75,638	116,814
Total Revenues	242,673	129,591	482,029	53,296	6,060	-	75,111	988,760
EXPENDITURES								
Current								
Instruction	110,059	129,461	-	-	-	-	-	239,520
Instruction-related services								
School site administration	80,131	-	-	-	-	-	-	80,131
Pupil services								
Food services	-	-	543,900	-	-	-	-	543,900
Plant services	41,200	-	-	27,740	-	-	-	68,940
Facilities acquisition and maintenance	9,118	-	-	-	-	-	-	9,118
Debt service								
Principal	-	-	-	-	-	-	72,600	72,600
Interest and other	-	-	-	-	-	-	22,940	22,940
Total Expenditures	240,508	129,461	543,900	27,740	-	-	95,540	1,037,149
Excess (Deficiency) of Revenues Over Expenditures	2,165	130	(61,871)	25,556	6,060	-	(20,429)	(48,389)
Other Financing Sources (Uses)								
Transfers in	-	-	-	36	-	-	-	36
Transfers out	-	-	-	-	-	(36)	-	(36)
Net Financing Sources (Uses)	-	-	-	36	-	(36)	-	-
NET CHANGE IN FUND BALANCE	2,165	130	(61,871)	25,592	6,060	(36)	(20,429)	(48,389)
Fund Balance - Beginning	93,810	2,262	223,895	7,932	97,376	36	176,417	601,728
Fund Balance - Ending	$ 95,975	$ 2,392	$ 162,024	$ 33,524	$ 103,436	$ -	$ 155,988	$ 553,339

See accompanying note to supplementary information.

The Hamilton Unified School District was established on July 1, 2009 upon the unification of Hamilton High School District and Hamilton Elementary School District. The boundaries of the former districts changed in accordance with the approved plan of unification. The District is located in Glenn County and is currently operating one high school, one elementary school, two community day schools, one continuation high school, one preschool, and an adult education program.

GOVERNING BOARD

Member	Office	Term Expires
Gabriel Leal	President	December 2020
Hubert “Wendall” Lower	Clerk	December 2020
Rod Boone	Member	December 2020
Tomas Loera	Member	December 2018
Rosalinda Sanchez	Member	December 2018

DISTRICT ADMINISTRATORS

Charles Tracy
Superintendent

Diane Holliman
Chief Business Official

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

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

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 46208. During the year ended June 30, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

Governing Board
Hamilton Unified School District
Hamilton City, 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, the major fund, and the aggregate remaining fund information of Hamilton Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hamilton Unified School District's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Christy White Associates

San Diego, California
December 10, 2018

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REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Hamilton Unified School District
Hamilton City, California

Report on State Compliance

We have audited Hamilton Unified School District's compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810, that could have a direct and material effect on each of Hamilton Unified School District's state programs for the fiscal year ended June 30, 2018, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hamilton Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, California Code of Regulations, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Hamilton Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on State Compliance

In our opinion, Hamilton Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

(Continued on the next page)

Procedures Performed (continued)

PROGRAM NAME	PROCEDURES PERFORMED
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Continuation Education because it was not material for the year ended June 30, 2018.

Christy White Associates

San Diego, California
December 10, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HAMILTON UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2018 because federal award expenditures did not exceed $750,000.

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

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

There were no financial statement findings for the year ended June 30, 2018.

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

There were no state award findings or questioned costs for the year ended June 30, 2018.

FINDING #2017-001 – SCHOOL ACCOUNTABILITY REPORT CARDS (72000)

Criteria: School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the District and posted in February, should contain information regarding school facilities conditions, as indicated in the most recently prepared facility inspection tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002(d).

Condition: During testing of a representative sample of 2015-16 SARCs posted in 2016-17, the following issues were noted regarding facilities conditions:

At Hamilton Elementary School, Interior was noted as "Fair" on the FIT Form but "Good" on the SARC.

At Hamilton High School, Interior was noted as "Fair" on the FIT Form but "Good" on the SARC.

Cause: Clerical errors in posting the SARC.

Questioned Costs: Not applicable.

Effect: The SARCs were not accurate.

Recommendation: We recommend that the District implement a process to accurately compile information included in the most recently prepared FITs.

District Response: In the future, the District will do a more thorough review of the FIT forms and ensure accuracy when posting to the SARCs.

Current Status: Implemented.

FINDING #2017-002 – UNDUPLICATED PUPIL COUNT (40000)

Criteria: Students classified as free or reduced price meal eligible (FRPM) (who are not directly certified) or English learner (EL) on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.*

Condition: 1 of 48 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who was classified as FRPM did not have proper supporting documentation to support their designation. When the error is extrapolated over the impacted population, 5 students were identified as ineligible. Additionally, 1 of 3 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who was classified as EL did not have proper supporting documentation to support their designation. When the error is extrapolated over the impacted population, 3 students were identified as ineligible. Combined for a total of 8 ineligible students.

Effect: The District is not in compliance with State requirements.

Cause: Clerical oversight.

Context: 8 of 1,798 (587 for 2016-17, 617 for 2015-16, and 594 for 2014-15) students reported in the District's Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM designation.

FINDING #2017-002 – UNDUPLICATED PUPIL COUNT (40000) (continued)

Questioned Costs: $8,405, calculated as follows:

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2				2,165
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2				1,798
3	Audit Adjustment - Number of Enrollment				
4	Audit Adjustment - Number of Unduplicated Pupil Count				(8)
5	Revised Adjusted Enrollment				2,165
6	Revised Adjusted Unduplicated Pupil Count				1,790
7	UPP calculated as of P-2				0.8305
8	Revised UPP for audit finding				0.8268
9	**Charter Schools Only:** Determinative School District Concentration Cap				
10	Revised UPP adjusted for Concentration Cap				**0.8268**
LCFF Target Supplemental Grant Funding Audit Adjustment		**TK/K–3**	**4–6**	**7–8**	**9–12**
9	Supplemental and Concentration Grant ADA	188.69	136.55	78.20	312.59
10	Adjusted Base Grant per ADA	$7,820	$7,189	$7,403	$8,801
11	Target Supplemental Grant Funding calculated as of P-2				$961,259
12	Revised Target Supplemental Grant Funding for audit finding				$956,977
13	Target Supplemental Grant Funding audit adjustment				**($4,282)**
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2				$811,660
15	Revised Target Concentration Grant Funding for audit finding				$800,953
16	Target Concentration Grant Funding audit adjustment				**($10,707)**
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				**($14,989)**
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2				0.5607679980
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				**($8,405)**

Recommendation: We recommend that the District ensure that all students listed as FRPM or EL in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have proper documentation to support their CALPADS designation.

FINDING #2017-002 – UNDUPLICATED PUPIL COUNT (40000) (continued)

District Response: During the 2016/17 school year, after certification of the CALPADS 1.18 report, it was learned that the district vendor, Nutrikids, had a software issue that went undiscovered prior to certification in CALPADS. The software issue that was discovered, was that Nutrikids was not uploading the district verification of students changes in the free and reduced lunch program, EL's, and homeless/foster youth. The problem was discovered and corrected after the submission to CALPADS for 1.18. The district is closely monitoring the uploads between Nutrikids and Aeries to ensure the proper documentation is recorded in the CALPADS 1.18 report as required for the 2017/18 school year. Staff is closely monitoring the free/reduced forms for accuracy as well.

Current Status: Implemented.

FINDING #2017-003 – CLASSROOM TEACHER SALARIES (61000)

Criteria: As set forth in California Education Code section 41372, a unified school district should expend a minimum of 55% of the District's current expenses of education towards salaries of classroom teachers.

Condition: In the 2016-17 fiscal year, the District did not meet the minimum percentage requirement.

Effect: The District's current expense of education for the year audited June 30, 2017 was $6,780,347 and the total salaries and benefits for classroom teachers was $3,590,496. The District was below the minimum required percentage of 55% by 2.05% which calculates out to a deficiency of $138,997.

Cause: Due to recent budget cuts the District did not meet the minimum requirements.

Perspective/Context: The minimum percentage required by the State of California is 55% for a unified school district. The District only spent 52.95% on classroom teacher salaries in the 2016-17 fiscal year.

Questioned Costs: The questioned costs are the deficiency of $138,997.

Recommendations: We recommend that in the future, the District monitor their expenses towards salaries of classroom teachers against their total expenses to be sure that they meet the 55% minimum requirement.

District Response: The District's Adopted 2017-18 Budget demonstrates the plan to meet the 55% minimum requirement of classroom teacher salaries to total expenses. In the meantime, the District has filed a waiver with the County Superintendent of Schools. We are still awaiting the signed approval.

Current Status: Implemented.

APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY OF GLENN

The following information concerning the County of Glenn is presented for information purposes only. The information has been obtained from the sources referenced as of the dates indicated. These sources are believed to be reliable but the information is not guaranteed as to accuracy or completeness, and is not, and should not be construed as, a representation by the District. The District comprises only a portion of the County and the Bonds are only payable from ad valorem property taxes levied on property in the District. The Bonds are not a debt or obligation of the County.

Introduction

The District lies in the County of Glenn. Glenn County is located in Northern California, approximately half way between Sacramento and Redding. Glenn County is primarily an agricultural community with mountains on the west, the Interstate 5 corridor running through farm land, and the Sacramento River bounding the east side of the County. With over 1,188 farms, agriculture remains the primary source of Glenn County's economy. Major commodities include rice, almonds, milk products, prunes and livestock. The County's population reached approximately 28,762 as of January 1, 2019.

Population

The following table shows historical population statistics for the years 2012 to 2019 for the major cities located within the County as well as the County as a whole.

POPULATION
CITIES OF GLENN COUNTY
Calendar Years 2012 through 2019

Year	City of Orland	City of Willows	Glenn County
2012	7,559	6,129	28,317
2013	7,563	6,130	28,414
2014	7,629	6,133	28,489
2015	7,672	6,119	28,579
2016	7,676	6,213	28,668
2017	7,844	6,066	28,730
2018	7,932	6,064	28,796
2019	7,998	6,273	28,762

Based on 2010 Census benchmark and Population Estimates for Cities, Counties, and State.
Source: California State Department of Finance.

Employment

The County, State and United States civilian labor force figures are shown in the following table for the years 2014 through 2018. The County figures are county-wide and may not necessarily reflect employment trends in the District. The higher unemployment rate in the County reflects the effect of agricultural employment in the County and the seasonal pattern of crop harvesting and food processing.

GLENN COUNTY, CALIFORNIA, AND UNITED STATES
Labor Force, Employment, and Unemployment[1]

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate[2]
2014				
Glenn County	12,800	11,440	1,360	10.7%
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				
Glenn County	12,970	11,840	1,130	8.7%
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				
Glenn County	12,960	11,880	1,080	8.3%
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				
Glenn County	12,830	11,870	960	7.5%
California	19,312,000	18,393,100	918,900	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
Glenn County	12,780	11,940	830	6.5%
California	19,398,200	18,582,800	815,400	4.2
United States	162,075,000	155,761,000	6,314,000	3.9

(1) Data reflects employment status of individuals by place of residence.
(2) Unemployment rate is based on unrounded data.
Source: California State Employment Development Department and U.S. Department of Labor.

Industry

Government is the largest employer in the County followed by trade, agriculture, manufacturing and education and health services. The table below shows the estimated employment by industry group for 2014 through 2018.

COUNTY OF GLENN
EMPLOYMENT BY INDUSTRY
ANNUAL AVERAGES
2014 through 2018 by Industry Group

	2014	2015	2016	2017	2018
Agriculture total	2,170	2,330	2,150	2,190	2,070
Mining, logging and construction	240	290	280	330	330
Manufacturing	600	640	630	690	710
Trade, transportation and utilities	1,490	1,620	1,730	1,650	1,620
Finance	140	150	160	160	150
Professional and business services	170	210	240	220	220
Educational and health services	910	880	910	880	850
Leisure and hospitality	630	670	660	680	720
Government	2,030	2,040	2,100	2,090	2,110
Non-Agriculture Total	6,360	6,680	6,900	6,890	6,960

Source: California State Employment Development Department.

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Major Employers Within the County

The County has a diverse mix of major employers representing industries ranging from agriculture and government to manufacturing, wholesale, health services, and education. The following table lists the County's major employers, without regard to number of employees.

COUNTY OF GLENN
2019 MAJOR EMPLOYERS

Employer	Location	Industry
Child Protective Services	Willows	County Government-Social/Human Resources
Department of Child Family Svc	Orland	Government-Individual/Family Social Svcs
Erick Nielsen Enterprises Inc	Orland	Agricultural Consultants
Glenn County Mental Health	Willows	Government Offices-County
Glenn County Emergency Svc	Willows	County Government-Public Order & Safety
Glenn County Health & Welfare	Willows	County Government-Public Health Programs
Glenn County Human Resource	Willows	Government Offices-County
Glenn County Office-Emergency	Willows	Government Offices-County
Glenn County Planning & Pubc	Willows	Government Offices-County
Glenn County Sheriffs Civil Dv	Willows	Sheriff
Glenn Family Medical Ctr	Willows	Physicians & Surgeons
Glenn Family Medical Ctr	Willows	Hospitals
Glenn-Colusa Irrigation Dist	Willows	Irrigation Companies
Head Start	Orland	Child Care Service
Johns Manville	Willows	Building Materials-Manufacturers
Lassen Land Co	Orland	Farm Management Service
Mill Street School	Orland	Schools
Murdock Elementary School	Willows	Schools
Olson Meat Co	Orland	Meat-Retail
Rumiano Cheese Factory	Willows	Cheese Processors (mfrs)
Sierra Nevada Cheese Co.	Willows	Cheese
Sun Bridge Ctr of Willows	Willows	Nursing & Convalescent Homes
Sunsweet Dryers	Orland	Fruits-Dried (whls)
US Reclamation Bureau	Willows	Government Offices-Us
Walmart Supercenter	Willows	Department Stores

Source: California Employment Development Department, America's Labor Market Information System Employer Database.

Commercial Activity

The table below shows the taxable transactions in the County between 2012 and 2016, the most recent data available.

COUNTY OF GLENN
Valuation of Taxable Transactions
Fiscal Years 2012 through 2016

	Retail and Food Services*	Total All Outlets*
2012	$174,042	$326,707
2013	180,800	334,092
2014	191,830	354,221
2015	200,502	364,796
2016	230,313	393,260

* In thousands.
Source: California Board of Equalization Taxable Sales in California.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Hamilton Unified School District (the "District") in connection with the execution and delivery of $________ aggregate principal amount of the District's General Obligation Bonds, 2018 Election, 2019 Series A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District on May 22, 2019 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

ECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Stifel, Nicolaus & Company, Incorporated (the "Underwriter") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, 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 4 and 5 of this Disclosure Agreement.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures Incorporated.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Event" means any of the events listed in Section 6 of this Disclosure Agreement.

"Material Events Disclosure" means dissemination of a notice of a Material Event as set forth in Section 6.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at http://emma.msrb.org/, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated ____, 2019 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 9 months after the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the fiscal year ending June 30, 2019, which would be due on April 1, 2020, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. 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 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District, in a timely manner, shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Adopted general fund budget for the current fiscal year;

(ii) Assessed valuations, as shown on the most recent equalized assessment roll;

(iii) 20 largest local secured taxpayers as shown on the most recent equalized assessment roll; and

(iv) Secured tax charges and delinquencies, but only (A) if the County terminates or discontinues the Teeter Plan within the District, and (B) to the extent such information is available from the County.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.

(iv) Substitution of or failure to perform by any credit provider.

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

(vi) Tender Offers;

(vii) Defeasances;

(viii) Rating changes;

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

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

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the securities or other material events affecting the tax status of the securities;

(ii) Modifications of rights to security holders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the securities;

(v) Non-payment related defaults;

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

(vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee; and

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

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder 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 Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: ____________, 2019

HAMILTON UNIFIED SCHOOL DISTRICT

By:_______________________________________
Superintendent

Acceptance of duties as Dissemination Agent:

By:_____________________________________
Isom Advisors,
a Division of Urban Futures Incorporated

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Hamilton Unified School District

Name of Issue: $___________ General Obligation Bonds, 2018 Election, 2019 Series A

Date of Issuance: ____________, 2019

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated _____________, 2019. The Issuer anticipates that the Annual Report will be filed by ___________________.

Dated: __________________________

[ISSUER/DISSEMINATION AGENT]

By:____

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APPENDIX E

GLENN COUNTY INVESTMENT POLICY STATEMENT

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DEPARTMENT OF FINANCE

COUNTY OF GLENN

INVESTMENT POLICY

[June 20, 2017]

COUNTY OF GLENN INVESTMENT POLICY

June 20, 2017

I. POLICY STATEMENT

The California Government Code §53601, et seq. provides legal authorization for the investment and deposit of funds of local agencies. Glenn County shall conform to, and comply with, the restrictions of all applicable laws. In addition, further requirements shall be established taking into consideration prudent investment standards.

II. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Employees and investment officials shall disclose any material financial interest at that could be related to the performance of the County's investment policy.

III. DELEGATION OF AUTHORITY

The Board of Supervisors has delegated management responsibility for the investment program to the County Director of Finance ("Finance Director"), who is designated as the Investment Officer of the County. This delegation is for a one-year period. Subject to review, the Board may renew the delegation of authority each year. No person may engage in an investment transaction except as provided under the limits of this policy. The Finance Director may delegate its investment decision making and execution authority to an investment advisor. The advisor shall follow the policy and such other written instructions as are provided.

IV. SCOPE

The Finance Director is responsible for investing the unexpended cash in the County Treasury. This investment policy applies to all the investment activities of the County of Glenn, except for the Deferred Compensation Funds, which are administered separately. All financial assets of other funds shall be administered in accordance with the provision of this policy.

V. INVESTMENT OBJECTIVES

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for government purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance.

Safety of Principal—the preservation of principal is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they are from securities default, broker-dealer default or erosion of market value. Care shall be taken to preserve principal by mitigating the two types of risk, credit risk and market risk.
Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investment in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer would not unduly harm the County's capital base and cash flow.
Market risk, defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by structuring the portfolio based on historic and current cash flow analysis, eliminating the need to sell securities prior to maturity, and avoiding the purchase of long term securities for the sole purpose of short term speculation.

Liquidity of Investments—the Pooled Investment fund should remain sufficiently flexible to enable the County to meet all reasonable anticipated operating requirements. Historic cash flow trends are compared to current cash flow requirements on an ongoing basis.

Yield—the Pooled Investment Fund should be designed to attain an optimum rate of return, consistent with the risk limitations, prudent investment principles and cash flow restraints of the County.

VI. PRUDENCE

The Board of Supervisors has delegated investment responsibility to the Finance Director. The Finance Director serves as a fiduciary and is subject to the prudent investor standard. The Board of Supervisors shall not be the agent, serve as a fiduciary, or be subject to the prudent investor standard. The prudent investor standard states that:

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Finance Director or the Board of Supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

VII. SAFEKEEPING OF SECURITIES

To protect against potential losses by collapse of individual securities dealers, all securities owned by the County shall be held in safekeeping by a third party bank trust department acting as agent for the County under the terms of a custody agreement executed by the bank and by the County. All securities will be received and delivered using standard delivery versus payment procedures.

VIII. MONITORING AND REPORTING OF THE PORTFOLIO

Per California Government Code §53607, the Finance Director will submit a monthly report of transactions to the Board of Supervisors.

In addition, the Director of Finance will submit a quarterly report to the Board of Supervisors within 30 days following the end of the quarter. The report shall identify the type of investments, name of the issuer, date of maturity, par and dollar amount invested in each security, the weighted average maturity of the investments, any funds investments or programs including loans, that are under the management of contracted parties and the market value as of the date of the report, along with the source of this valuation.

IX. CRITERIA FOR SELECTING QUALIFIED BROKER/DEALERS & FINANCIAL INSTITUTIONS

Brokers and Dealers shall be selected for their proven competitiveness with regard to price and execution, clearance and settlement of transactions, commitment of capital, ability to report promptly and accurately, and to promptly and efficiently deliver securities. Additional criteria shall include the ability and willingness to supply financial publications, economic reports, and financial data. Any investment advisor for the County shall use these criteria to assist in the selection of brokers and dealers. Broker/Dealers and financial institutions which have exceeded the political contribution limits within a four-year period to the Finance Director or any member of the Board of Supervisors or any candidate for those offices are prohibited from transacting business with Glenn County.

X. COMPETITIVE BIDDING

Competitive bids shall be obtained when purchasing or selling securities whenever practical. A minimum of three bids shall be obtained and those bids shall be recorded in writing and kept for a period of one year.

A single broker may be used for the purpose of investing in Repurchase Agreements.

XI. INVESTMENT STRATEGY

An economic scenario shall be developed and maintained to assist in developing an investment strategy. An investment strategy will be developed to help optimize earnings based upon liquidity needs and the economic scenario. Investments will be selected taking many variables into consideration. Several of the most important variables will be the shape of the yield curve, the anticipated change in that curve and the relative value of available securities. Proper use of the yield curve will involve not only purchasing securities with desirable maturities, but also swapping from existing portfolio securities with less desirable maturities into those with maturities that are perceived as currently more advantageous or into securities with more relative value. The average maturity of the portfolio will be shortened or lengthened primarily depending upon an evaluation of the above-mentioned factors.

XII. AUTHORIZED INVESTMENTS

The County is further governed by California Government Code, §53600 et seq. Within the content of these limitations, the following investments are authorized, as further limited herein.

All securities, regardless of investment type, shall be considered when calculating the maximum percentage in any issuer name. No more than 5% of the portfolio may be invested in the securities of any one issuer other than the United States Treasury, Federal Agencies, government-sponsored enterprises, supranationals, asset-backed securities, money market funds, the Local Agency Investment Fund, or the California Asset Management Program.

A United States Treasury Bills, Bonds, Notes, and Certificates of Indebtedness, or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio that can be invested in this category.

B Federal Agency or United States Government-Sponsored Enterprise Obligations, Participations, or other Instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of the portfolio that can be invested in this category.

No more than 50% of the portfolio may be invested in the securities of any one Federal agency or government-sponsored enterprise.

C Registered Treasury Notes or Bonds of the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state, provided that these securities are rated in one of the three highest rating categories (without regard to any gradations within such categories by numerical qualifier or otherwise) by a NRSRO.

No more than a combined 30% of the portfolio may be invested in Section XII, categories C, D, and E.

D Registered Treasury Notes or Bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California, provided that these securities are rated in one of the three highest rating categories (without regard to any gradations within such categories by numerical qualifier or otherwise) by a NRSRO.

No more than a combined 30% of the portfolio may be invested in Section XII, categories C, D, and E.

E Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency, provided that these securities are rated in one of the three highest rating categories (without regard to any gradations within such categories by numerical qualifier or otherwise) by a NRSRO.

No more than a combined 30% of the portfolio may be invested in Section XII, categories C, D, and E.

F Bankers' Acceptances issued by domestic or foreign banks, the short-term paper of which is rated in the highest letter and number rating category (without regard to any gradations within such categories by numerical qualifier or otherwise) by one or more nationally recognized statistical rating organizations (NRSRO). Bankers' acceptances purchased may not exceed 180 days to maturity.

No more than 40% of the market value of the portfolio may be invested in bankers' acceptances.

G Commercial Paper rated in the highest letter and number rating category (without regard to any gradations within such categories by numerical qualifier or otherwise) by one or more NRSROs. Commercial paper rated below the highest letter and number rating by one or more NRSROs is not eligible for purchase for the County's portfolio. The corporation that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2)

(1) The entity meets the following criteria: (a is organized and operating within the United States, as (a) general corporation, (b) has total assets in excess of five hundred million dollars ($500,000,000), and (c) has debt, other than commercial paper, if any, that is rated in one of the three highest rating categories (without regard to any gradations within such categories by numerical qualifier or otherwise) by a NRSRO.

(2) The entity meets the following criteria: (a) is organized within the United States as a special purpose corporation, trust or limited liability company, (b) has program-wide credit enhancements including, but not limited to over collateralization, letters of credit, or surety bond, and (c) has commercial paper that is rated "A-1" or higher, or the equivalent by a NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less.

No more than 40% of the portfolio may be invested in eligible commercial paper. No more than 10% of the outstanding commercial paper of any single corporate issuer may be purchased by the local agency.

H Negotiable Certificates of Deposit (NCDs) issued by a nationally or state chartered bank or a state or federal savings and loan association or by a federally-licensed or state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated in one of the three highest rating categories (without regard to any gradations within such categories by numerical qualifier or otherwise) by a NRSRO.

No more than 30% of the portfolio may be invested in NCD.

I Medium-Term Notes. Corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in one of the three highest rating categories (without regard to any gradations within such categories by numerical qualifier or otherwise) by a NRSRO.

No more than 30% of the portfolio may be invested in medium-term notes.

J Repurchase Agreements used solely as short-term investments not to exceed 30 days.

The County may enter into Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York. The County may invest in repurchase agreements with primary dealers with which the County has entered into a master contract that specifies terms and conditions of repurchase agreements.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in Section XII, categories A and B, will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the County's custodian bank by book entry, physical delivery, or by a third party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value, 104 percent of the funds borrowed against those securities. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a weekly basis. The investment in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 104% no later than the next business day following the date of valuation. Market value must be calculated each time there is a substitution of collateral.
The County or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

No more than 30% of the portfolio may be invested in repurchase agreements.

Reverse repurchase agreements will not be allowed.

K Local Agency Investment Fund (LAIF). The County may invest in the Local Agency Investment Fund established by the State Treasurer for the benefit of local agencies up to the maximum amount permitted.

L Money Market Funds. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either: (1) have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds and with assets under management in excess of $500,000,000.

No more than 20% of the portfolio may be invested in money market funds and no more than 10% of the portfolio may be invested in any one money market fund.

M California Asset Management Program (CAMP). Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by §53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.

N Time Deposits. The County may invest in non-negotiable time deposits collateralized in accordance with the California Government Code, in those banks and savings and loans associations which meet the requirement for investment in negotiable certificate of deposit. The issuer firm should have been in existence for at least five years. The County may waive the first $250,000 of collateral security for such deposits if the institution is insured pursuant to federal law. In order to secure such deposits, an institution shall maintain collateral as stated in the Government Code; securities having a market value of at least 10% in excess of the total deposit; or real estate mortgages (REM) having a value of at least 50% in excess of the total deposit. The maximum term for deposits shall be one year. In general, the issuer must have a minimum 3% net worth to assets ratio and their operation must have been profitable during their last reporting period.

O Supranational. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Supranational securities shall be rated in one of the two highest rating categories (without regard to any gradations within such categories by numerical qualifier or otherwise) by a NRSRO.

No more than 30% of the portfolio may be invested in this security type.

P Asset-Backed Securities (ABS). Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Eligible securities shall be rated in one of the two highest rating categories (without regard to any gradations within such categories by numerical qualifier or otherwise) by a NRSRO. The issuer of the security shall be rated in one of the three highest rating categories (without regard to any gradations within such categories by numerical qualifier or otherwise) by a NRSRO.

No more than 20% of the portfolio may be invested in this type of security.

Credit criteria and maximum percentages listed in this section are calculated at the time the security is purchased. Should an investment percentage-of-portfolio limitation be exceeded due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. If an investment's credit rating falls below the minimum rating required at the time of purchase, the County's investment advisor (if any) and Finance Director will review the rating agency action and decide whether to sell or hold the investment.

XIII. INELIGIBLE INVESTMENTS. Investments not described herein, including but not limited to common stocks, are prohibited from use in this portfolio. Further, investments which exceed five years in maturity require authorization by the Board of Supervisors three months prior to purchase.

XIV. INVESTMENT POOLS/MONEY MARKET FUNDS

A thorough investigation of investment pools and money market funds is required prior to investing, and on a continual basis.

XV. METHOD OF CALCULATING COSTS AND YIELD

Calculations for the Finance Director's administrative fee for costs of managing the investment portfolio include but are not limited to: investment management, accounting for the investment activity, custody of the assets, managing and accounting for the banking, receiving and remitting deposits, oversight controls and costs, and indirect and overhead expenses as authorized in Government Code §27013. The fee is based upon actual costs and is subtracted from gross interest earnings to all funds.

XVI. EARNINGS DISTRIBUTION

Interest earnings shall be allocated quarterly according to each fund's average daily cash balances a percentage of the total investment pool. Earnings shall be the net of accrued and received interest, amortized premiums, accreted discounts and profit or loss on the sale or trade of a security attributable to the quarter being apportioned, plus adjustments from prior quarters. The interest shall be apportioned as of the first day of the following quarter and added to each participating fund's balance in the Pooled Investment fund. The interest apportionment report shall show the gross interest, Finance Director's administrative fee and net interest allocated to each fund which earns interest as a part of the investment pool.

XVII. WITHDRAWAL REQUESTS

The County Director of Finance will honor and approve all requests to withdraw funds for normal cash flow at a one dollar net asset value. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the County Finance Director. In accordance with Government Code §27136 et seq. and §27133 (h) et seq., such requests for withdrawals must first be made in writing to the County Director of Finance. These requests are subject to the County Finance Director's consideration of the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Fund. Any withdrawal for such purposes shall be at the lower of the market value or total adjusted cost of the Pooled Investment fund as of the end of the month prior to the date of withdrawal.

For outside investors who utilize Government code §53684, where the County Finance Director does not serve as the agency's treasurer, any withdrawal request must be made in writing 30 days in advance. These withdrawals will also be at the lower of market value or total adjusted cost of the Pooled Investment Fund as of the end of the month prior to the date of withdrawal.

XVIII. TERMS AND CONDITIONS FOR OUTSIDE INVESTORS

Outside local agencies, where the County Finance Director does not serve as the agency's treasurer, may invest in the Pooled Investment fund through Government Code §53684 et seq. Deposits are subject to the consent of the County Finance Director. The local agency legislative body must approve the County Pooled Investment Fund as an authorized investment and execute a Memorandum of Understanding. Any withdrawal of these deposits must be made in writing 30 days in advance and will be paid at the lower of market value or total adjusted cost of the Pooled Investment Fund as of the end of the month prior to the date of withdrawal. If the County Finance Director deems appropriate, the deposits may be returned at any time. Outside local agencies' funds within the County Pool may be invested at the agencies' direction. These investments are subject to the consent of the County Finance Director and must comply with Government Code §53684 et seq.

XIX. LIMITATIONS ON HONORARIA

In accordance with Government Code §27133 (d) et seq., this Policy hereby establishes limits for the County Director of Finance and individuals responsible for management of the portfolio. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of $50 in a rolling twelve month time period from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the County Director of Finance and complete the appropriate State forms.

No individual may receive aggregate gifts, honoraria and gratuities in a rolling twelve month time period in excess of $280. Any violation must be reported to the California fair Political Practices Commission.

XX. SWAPPING OF SECURITIES

A swap is the movement from one security to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. Losses or gains realized at the time a security is sold must be recorded.

XXI. POLICY REVIEW

This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, rate of return and its relevance to current law and financial and economic trends.

Adopted _____________

____

Edward J. Lamb
Director of Finance
County of Glenn

SUMMARY OF INVESTMENT LIMITATIONS				
Investment Type	**Limit* Per Investment Type(s)**	**Limit* Per Institution**	**Minimum** Ratings**	**Maximum** Allowable Maturity**
United States Treasuries	100%	N/A	N/A	5 years
United States Federal Agencies & Government-Sponsored Enterprises	100%	50%	N/A	5 years
State of California Notes & bonds	30%	5%	A	5 years
Notes & Bonds of Other 49 States		5%	A	5 years
California Local Agency Debt		5%	A	5 years
Medium-Term Notes	30%	5%	A	5 years
Negotiable Certificates of Deposit	30%		A	5 years
Bankers Acceptances	40%		A-1	180 days
Commercial Paper	40%		A-1 (short) A (long)	270 days
Repurchase Agreements	30%	5%	Primary Dealer	30 days
Supranational Securities	30%	N/A	AA	5 years
Asset-Backed Securities	20%	5%	AA	5 years
Local Agency Investment Fund	N/A	N/A	N/A	N/A
California Asset Management Program	100%	N/A	N/A	N/A
Money Market Funds	20%	10%	N/A	N/A
Time Certificates of Deposit	N/A	N/A	N/A	2 years

* Based on total of surplus funds at the time the investment decision is made.
** At time of purchase.

Glossary

Bankers' Acceptances are short-term credit arrangements to enable businesses to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high-grade negotiable instrument.

Broker-Dealer is a person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.

Certificates Of Deposit

1. **Negotiable Certificates of Deposit** are large-denomination CDs issued in $1 million increments. These securities have average trades in the secondary market of $5 million to $10 million. They are issued at face value and typically pay interest at maturity, if maturing in less than 12 months. CDs that mature beyond this range pay interest semi-annually. Negotiable CDs are issued by U.S. banks (domestic CDs), U.S. branches of foreign banks (Yankee CDs), and thrifts. There is an active secondary market for negotiable domestic and Yankee CDs. However, the negotiable thrift CD secondary market is limited. Yields on CDs exceed those on U.S. treasuries and agencies of similar maturities. This higher yield compensates the investor for accepting the risk of reduced liquidity and the risk that the issuing bank might fail. State law does not require the collateralization of negotiable CDs.

2. **Non-negotiable Certificates of Deposit** are time deposits with financial institutions that earn interest at a specified rate for a specified term. Liquidation of the CD prior to maturity incurs a penalty. There is no secondary market for those instruments, therefore, they are not liquid. They are classified as public deposits and financial institutions are required to collateralize them. Collateral may be waived for the portion of the deposits that are covered by FDIC insurance.

Collateral is securities, evidence of deposits, or other property that a borrower pledges to secure repayment of a loan. It also refers to securities pledged by a bank to secure deposits. In California, repurchase agreements, reverse repurchase agreements, and public deposits must be collateralized.

Commercial Paper is a short term, unsecured, promissory note issued by a corporation to raise working capital.

Federal Agency Obligations are issued by U.S. Government Agencies or Government Sponsored Enterprises (GSE). Although they were created or sponsored by the U.S. Government, most Agencies and GSEs are not guaranteed by the United States Government. Examples of these securities are notes, bonds, bills and discount notes issued by Fannie Mae (FNMA), Freddie Mac (FHLMC), the Federal Home Loan Bank system (FHLB), and Federal Farm Credit Bank (FFCB). The Agency market is a very large and liquid market, with billions traded every day.

Issuer means any corporation, governmental unit, or financial institution that borrows money through the sale of securities.

Liquidity refers to the ease and speed with which an asset can be converted into cash without loss of value. In the money market, a security is said to be liquid if the difference between the bid and asked prices is narrow and reasonably sized trades can be done at those quotes.

Local Agency Investment Fund (LAIF) is a special fund in the State Treasury that local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is $5,000, in multiples of $1,000 above that, with a maximum of $50 million for any California public agency. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via direct deposit to the agency's LAIF account. The State keeps an amount for reasonable costs of making the investments, not to exceed one-quarter of one per cent of the earnings.

Market Value is the price at which a security is trading and could presumably be purchased or sold.

Maturity is the date upon which the principal or stated value of an investment becomes due and payable.

Medium-Term Notes are debt obligations issued by corporations and banks, usually in the form of unsecured promissory notes. These are negotiable instruments that can be bought and sold in a large and active secondary market. For the purposes of California Government Code, the term "Medium Term" refers to a maximum remaining maturity of five years or less. They can be issued with fixed or floating-rate coupons, and with or without early call features, although the vast majority are fixed-rate and non-callable. Corporate notes have greater risk than Treasuries or Agencies because they rely on the ability of the issuer to make payment of principal and interest.

Money Market Fund is a type of safe investment comprising a variety of short-term securities with high quality and high liquidity. The fund provides interest to shareholders and must maintain a stable net asset value (NAV) of $1 per share.
Principal describes the original cost of a security. It represents the amount of capital or money that the investor pays for the investment.

Repurchase Agreements are short-term investment transactions. Banks buy temporarily idle funds from a customer by selling him U.S. Government or other securities with a contractual agreement to repurchase the same securities on a future date at an agreed upon interest rate. Repurchase Agreements are typically for one to ten days in maturity. The customer receives interest from the bank. The interest rate reflects both the prevailing demand for Federal Funds and the maturity of the Repo. Repurchase Agreements must be collateralized.

U.S. Treasury Issues are direct obligations of the United States Government. They are highly liquid and are considered the safest investment security. U.S. Treasury issues include:

1. **Treasury Bills** which are non-interest-bearing discount securities issued by the U.S. Treasury to finance the national debt. Bills are currently issued in one, three, six, and twelve month maturities.

2. **Treasury Notes** that have original maturities of one to ten years.

3. **Treasury Bonds** that have original maturities of greater than 10 years.

Yield to Maturity is the rate of income return on an investment, minus any premium above par or plus any discount with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.

Investments Permitted by CA Government Code §53601

<table>
<tr><th></th><th></th><th>Overnight</th><th>180 Days</th><th>270 Days</th><th>1 Year</th><th>5 Years</th><th>Beyond 5 Years</th></tr>
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<tr><td>Federal Agencies</td><td colspan="5">Permitted</td><td>Requires Approval</td></tr>
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<tr><td>Negotiable Certificates of Deposit</td><td colspan="5">Permitted</td><td>Requires Approval</td></tr>
<tr><td>Commercial Paper</td><td colspan="3">Permitted</td><td colspan="3">Prohibited</td></tr>
<tr><td>Bankers' Acceptances</td><td colspan="2">Permitted</td><td colspan="4">Prohibited</td></tr>
<tr><td>Medium-Term Corporate Bonds ("A" or Better)</td><td colspan="5">Permitted</td><td>Prohibited</td></tr>
<tr><td>Asset-Backed Securities (ABS)</td><td colspan="5">Permitted</td><td>Prohibited</td></tr>
<tr><td>Supranationals ("AA" or Better)</td><td colspan="5">Permitted</td><td>Prohibited</td></tr>
<tr><td>Repurchase Agreements</td><td colspan="4">Permitted</td><td colspan="2">Prohibited</td></tr>
<tr><td>Mutual Funds/Money Market Funds</td><td>Permitted</td><td colspan="5">Prohibited</td></tr>
<tr><td>Local Government Investment Pools</td><td>Permitted</td><td colspan="5">Prohibited</td></tr>
<tr><td rowspan="7">Broader Fixed-Income</td><td>Foreign Sovereign</td><td colspan="6">Prohibited</td></tr>
<tr><td>Commercial MBS</td><td colspan="6">Prohibited</td></tr>
<tr><td>High-Yield</td><td colspan="6">Prohibited</td></tr>
<tr><td>Private Placements</td><td colspan="6">Prohibited</td></tr>
<tr><td>Convertibles</td><td colspan="6">Prohibited</td></tr>
<tr><td>Non-U.S. Dollar Investment Grade</td><td colspan="6">Prohibited</td></tr>
<tr><td>Emerging Markets Debt</td><td colspan="6">Prohibited</td></tr>
<tr><td rowspan="6">Equities</td><td>Domestic Small/Mid Cap</td><td colspan="6">Prohibited</td></tr>
<tr><td>Domestic Large Cap</td><td colspan="6">Prohibited</td></tr>
<tr><td>Domestic Value/Growth</td><td colspan="6">Prohibited</td></tr>
<tr><td>International Small/Mid Cap</td><td colspan="6">Prohibited</td></tr>
<tr><td>International Large Cap</td><td colspan="6">Prohibited</td></tr>
<tr><td>Emerging Markets</td><td colspan="6">Prohibited</td></tr>
<tr><td rowspan="6">Alternatives</td><td>Commodities</td><td colspan="6">Prohibited</td></tr>
<tr><td>Real Estate</td><td colspan="6">Prohibited</td></tr>
<tr><td>Hedge Funds</td><td colspan="6">Prohibited</td></tr>
<tr><td>Private Equity</td><td colspan="6">Prohibited</td></tr>
<tr><td>Venture Capital</td><td colspan="6">Prohibited</td></tr>
<tr><td>Tangible Assets</td><td colspan="6">Prohibited</td></tr>
</table>

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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 or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

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 will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Paying Agent on behalf thereof) 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).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

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

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in St. Paul, Minnesota. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal, payments shall be wired 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 any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in St. Paul, Minnesota, 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 registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal 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 exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)